Austria	Sch22	Indonesia	Rp3100	Oman	Or 1
Bahrain	Din0.700	Iran	Rls210	Philippines	Pes40
Belgium	BFr55	Israel	NS3.50	Portugal	Esc140
Cyprus	C£0.90	Italy	L2000	Qatar	Qr9.50
Denmark	DKr10.00	Jordan	Fils1000	S.Arabia	Rls7.00
Egypt	E£3.25	Kuwait	Fils.500	Singapore	S$4.10
Finland	Fmk7.00	Lebanon	£1,400.00	Spain	Pta145
France	FFr7.00	Lux	LFr59	Sweden	SKr10
Germany	DM2.30	Malaysia	Rin4.25	Switz	SFr2.40
Greece	Dr150	Morocco	Dh6.00	Thailand	Bht50
Hong Kong	HK$12	Neth	Fl3.40	Tunisia	Din0.800
Iceland	Ikr125	Nigeria	Naira10	Turkey	L1200
India	Rup15	Norway	Nkr10.00	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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WORLD TRADE

Stopping the rot at US Eximbank

Page 2

World News

Britain drops plans to sell off nuclear power plants

The British Government reversed its decision to privatise nuclear power plants with the rest of the electricity industry in a move likely to cause the Government great political embarrassment.

The decision results from a near unanimous view from the electricity industry and its advisers that National Power, the larger of two proposed generating companies, could be not be sold if it had to bear the financial risk of a nuclear programme. Page 9

Mandela meeting
Nelson Mandela, the ANC leader, and Jeff Masemola, the recently freed Pan Africanist Congress (PAC) leader, are to begin six days of talks today at Mandela's prison house. Page 6

Blacks triumph
Black politicians triumphed in US gubernatorial and mayoral elections signalling the emergence of a new generation of black leaders with a more moderate style. Page 20

Aid for Lagos
Western donor countries undertook to provide Nigeria with more than $600m in concessional aid in 1990. Page 6

Civil war 'inevitable'
Cambodian Premier Hun Sen said civil war was "inevitable" in Cambodia because foreign countries were funnelling arms to guerrillas who oppose his Soviet-backed government. UK Government attitude to Khmer Rouge, Page 6

Burma unreformed
The regime in Burma has failed to persuade Japan, the IMF and the World Bank that it is serious about implementing the programme of economic and political reform announced in 1988. Page 6

HK drops charges
Hong Kong authorities decided not to pursue two of the commercial corruption charges brought last year against Ronald Li, former chairman of the stock exchange. Page 6

Sri Lankans deploy
About 900 Sri Lankan troops moved into Ampara, Eastern province, following the massacre of 26 members of the self-styled Tamil National Army by Tamil Tiger guerrillas. Page 6

Amnesty call
Amnesty International welcomed human rights improvements in Nicaragua but called for an end to killings of peasants suspected of collaborating with Contra rebels.

Desert battle
Morocco said 45 of its soldiers were killed and 56 wounded during fierce fighting with Polisario guerrillas in the disputed Western Sahara.

Albanians jailed
More than 100 ethnic Albanians in Yugoslavia's Kosovo province have been jailed after riots last week triggered by the trial of a former ethnic Albanian leader.

Secord plea bargain
Retired Air Force Major General Richard Secord, a central figure in the Iran-Contra scandal, pleaded guilty to a single perjury charge in a deal which involves his further co-operation in the criminal investigation into the affair.

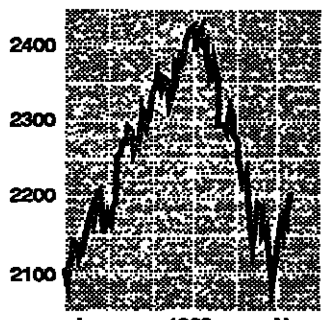
Business Summary

Setback for Mexico in talks over debt package

Mexico has almost certainly failed in its attempts to persuade banks holding between 10 and 20 per cent of its commercial debt to make new loans as part of a debt package agreed with leading creditors in September. Page 20

FT-SE 100 share index closed above the important 2,200 level for the first time since "Grey Monday" on October 16, driven by signs of lower US interest rates and corporate activity. Markets, Section II

FT-SE 100 Index



PARIBAS, French investment banking group, extended its bid for Compagnie de Navigation Mixte, food-to-financial services conglomerate, to cover 100 per cent of its target's shares. Page 21

MOUNTLEIGH: American entrepreneurs, Nelson Peltz and Peter May, gained effective control of UK property group with a portfolio worth £660m ($1.04bn). Page 21

INTERNATIONAL Business Machines is to license its memory chip technology to Micron Technology of Boise, Idaho, one of the few remaining independent US manufacturers of dynamic random access memory chips. Page 24

EUROPEAN telecommunications: W German Bundespost dropped its opposition to Britain's new personal communications networks, increasing the chance that the mass-market mobile telephone system will be adopted across Europe. Page 10

FRENCH price fixing: the French Competition Council imposed fines of FFr166m ($25.2m) on 80 road building and construction companies for conspiring to fix prices for public contracts. Page 3

SUMITOMO Electric Industries, Japan's largest maker of electrical wires and cables, announced a 15.9 per cent rise in pre-tax profit to Y12.56bn ($85.5m) for the first half ending September. Page 26

BOND Corporation, troubled beer and media company controlled by Alan Bond, Australian businessman, again extended the deadline for documentation on an integral part of its plan to sell its brewing interests for A$2.5bn. ($1.9bn). Page 26

PETROLEOS de Venezuela, Venezuelan state oil company, agreed in principle to purchase all the assets of Citgo Petroleum, eighth largest oil refiner in the US, in which it already holds a 50 per cent interest. Page 24

GROUPEMENT Industriel des Armements Terrestres: the French Government is to reform the status of its heavily loss-making state-owned arms and tanks producer (Giat). Page 3

KENTUCKY Fried Chicken Japan, concerned by the country's worsening labour shortage, announced that 5,000 employees will be given a free trip to Hawaii to develop company loyalty. Page 20

STATOIL, Norway's state oil company, increased operating profit by 54 per cent to NKr7.6bn ($1.08bn) in the first nine months. Page 22

E Germany moves towards holding democratic elections

By Leslie Colitt in East Berlin David Marsh in Bonn

THE most turbulent day in East Germany's history ended last night with a leading member of the new Politburo announcing that the country was moving towards free elections in which the Communist Party could lose power.

Mr Günter Schabowski, the East Berlin Party chief, said that the Communist Party's Central Committee would shortly propose an election law allowing all political groupings to participate.

"If we have an electoral law that allows all political forces to announce their programmes and defend them, then the Communist Party will accept the challenge," he said.

He was speaking on a day which had started with the resignation of the Politburo – an unprecedented act in the history of Eastern Europe's communist states. At the same time, the exodus of refugees refused to abate, reaching 60,000 since last Saturday.

The Politburo's resignation was swiftly followed by the election of a new, slimmer one, again headed by Mr Egon Krenz, the Communist Party General Secretary, but purged of 14 of its hardliners.

The most significant new arrival in the 11-member Politburo was Mr Hans Modrow, the leading reformer at the top of the Party, who was proposed as Prime Minister.

The new Economics Minister will be Mr Siegfried Lorenz. Although a holdover from the era of Mr Erich Honecker, the former leader, Mr Lorenz is expected to advocate wide-ranging economic reforms. Mr Modrow, who took part in a demonstration last Monday in Dresden, was the only new reformer to join the Politburo.

Several leading conservatives remain. Mr Hans-Joachim Bohme, the party chief of Halle District, was re-elected, although a mass demonstration in Halle on Monday called for his resignation.

Similarly, the Defence Minister, Mr Heinz Kessler, also kept his seat.

Mr Krenz is still regarded by many East Germans as a hardliner, despite his bid to gain the confidence of a deeply mistrustful population.

- Krenz maps out route down reform's slippery slope
- Kohl sets terms for economic aid
- Britain urges dismantling of Berlin Wall
- Public distrust of Communist party lingers on

PAGE 4

His pledge to liberalise travel to the West and permit unhindered emigration to West Germany via Czechoslovakia has done little to stem the latest exodus of East Germans to the West, which now numbers 60,000 since last Saturday.

Late last night, Mr Schabowski said that the opposition group New Forum was likely to be officially recognised, overturning a ban imposed on it shortly after it was formed two months ago.

Mr Krenz said in a speech to the Central Committee after his election that the country faced a "tense and extremely difficult situation."

Mr Schabowski's comments will undoubtedly be welcomed by Chancellor Helmut Kohl of West Germany, who yesterday promised the East German leadership a new dimension of economic aid if the Communists "give up their monopoly on power" and hold free elections.

Speaking during a debate in the Bundestag, the lower house of parliament, on "the fate of the divided nation," Mr Kohl said that self-determination for East Germans had to take precedence over the ultimate aim of German reunification.

However, in a sign of how the vision of reforging German unity has come to the top of the political agenda, Mr Kohl told the Bundestag he was "certain" that, given the chance, East Germans would vote for "freedom and unity."

Mr Kohl also admitted that the exodus was causing problems for the Federal Republic, above all in housing.

Newly elected Politburo member Günter Schabowski tries to calm demonstrators in East Berlin yesterday

US bank cuts prime rate after Fed eases policy

By Janet Bush in New York

AN EASING in the credit stance of the US Federal Reserve became evident yesterday, prompting one US bank to cut interest rates and raising expectations that others would follow.

The Federal Reserve is believed to have cut its target for Fed Funds, the rate at which commercial banks lend to each other overnight, to $8\frac{1}{2}$ per cent from $8\frac{3}{4}$ per cent.

South-west Bank of St Louis, which led the last round of prime rate cuts in July, announced in response it was lowering to 10 per cent from 10.5 per cent the rate it charges to top corporate customers. This is the latest easing move by the Fed in response to a weakening in the US economy which has shown up particularly in the housing market and manufacturing industry.

The first hint of easier policy came on Tuesday through Fed operations in the money market – which are closely watched for signals of any shift in policy. It was confirmedyesterday when the Fed refrained from operating in the money market, despite weakness in the Fed Funds rate.

The Fed has been under mounting pressure from the Administration for some time to ease policy to ensure that a decelerating economy does not tip into recession.

The timing of the , after what many analysts saw as surprisingly strong employment and earnings figures last Friday, came as a surprise on domestic economic grounds.

The Fed appears to have decided to ease policy before the Treasury's quarterly refunding, consistent with past practice.

The sale of a total of $56bn in bills and bonds was originally scheduled to have been completed today, but had to be postponed because Congress had not passed legislation to raise the debt ceiling, needed before any more funds could be raised.

The bond market now faces having to absorb this new paper in an intensive schedule of auctions over four days.

In late New York trading yesterday the benchmark long bond was quoted $\frac{1}{8}$ of a point lower for a yield of 7.87 per cent. The stock market was boosted, the Dow Jones Industrial Average closing 26.23 higher at 2,623.36.

Lex, Page 20

Changes come too late to stem exodus

By Andrew Fisher in Schirnding

STEFFAN, a slim dark-haired circus worker, had just dragged his suitcase across the Czech border into West Germany, near the little Bavarian village of Schirnding.

He had walked the last two kilometres of Czech territory past a line of run-down East German cars containing hundreds of his fellow-refugees.

At Schirnding, yesterday morning, they crossed at a rate of 200 an hour. That was revised to 300 an hour shortly after the East German Politburo resigned. Since Saturday, 60,000 East Germans have fled to the West. Since the start of the year, 211,000, and the exodus is not stopping.

Steffan, 23, was wholly unimpressed by the pace of change in the country he had left, including the resignations of the government and the Politburo. "I've lost all belief in the (East German) republic," he said.

"The whole economic structure is falling apart," said Karsten, 44, a transport engineer who had driven across at 6 am yesterday. "The factories, the technology are out of date. It will take 10 or 20 years to change all that."

Compared with other Comecon countries, East Germany is relatively well off. Karsten was therefore expressing resentment as well as dissatisfaction.

He had driven the 300 km from Magdeburg to freedom, although his wife had decided against joining him for the journey. "She doesn't like borders and controls," he said.

For those who did not immediately drive further into West Germany were two Red Cross tents handing out macaroni soup, packages of snacks, soft drinks and fruit.

Next to the tents the ground was busily being readied for more field kitchens and other facilities. Those who had not driven across the border stood in the thick of suitcases, bags and prams before being taken by bright red fire service vans to the nearest reception centre.

Mario, 27, and Silvia, 24, arrived with their eight-month-old baby boy, Matthias. "It will take years for things to really change in the East," said Mario, a train driver who hopes to find a job with West German railways. From their home near East Germany's border with Czechoslovakia, they had already been to the Czech side of the West German border to see the situation for themselves before going back to fetch their baby.

"We left everything behind except the car," said Silvia, before setting off for Coburg where she has relatives. Their decision to leave had been spontaneous.

Steffan, the circus worker, had already decided to leave four years ago, but his application had been turned down for unknown reasons. He hopes to find work in a Western circus assembling and maintaining high-wire equipment for acrobats.

"I don't think they have made any real difference," he said of the drastic attempts by Mr Egon Krenz, the East German party leader, to stem the discontent which continued to swell in the country.

Karsten felt the same. "Nothing is really moving forward," he commented. "The turning point should have come ages ago. Now, all the technology has to come from abroad. Where's the money coming from?"

Tuesday night's surprise resignation of the government had been "pre-programmed," he added. "Krenz has got no backbone, no authority. He has swum in the same pool as Honecker, they've both come up the same way." Mr Krenz was a former deputy to Erich Honecker, who stepped down as party leader last month.

For Karsten, who drove off to relatives in Kassel, the decision to leave had been a painful one. He said he might go back and fetch his wife. As he drove off westwards, he hooted a quick farewell. Like many others who have crossed from Czechoslovakia, around 60,000 since last Friday, his future is uncertain.

The East Berlin regime's actions have come too late for many ordinary citizens, who cannot resist the opportunity to air their grievances by quitting the country. Mario said he and his wife might return if matters improved in the next six months or so. "But it will probably not happen so fast," he said doubtfully.

Mike, 24, a mining mechanic, grinned broadly as he waited with his mother and girlfriend to cross into West Germany. "Look at this," he said, pointing to a bright green Trabant car. "It's 11 years old - I could never afford a new one." Mike said he earned 800 ostmarks ($410) a month in the GDR; a new car would cost 20,000 marks ($10,200). "I'm mad about cars. My dream is to own a good one. I want to work, work, and save."

In Leipzig, he lived with his mother. "I would have to get married and have children to have a proper home, and then it would be dilapidated and let in the rain." Mike had also been refused permission to

Continued on Page 20

Thatcher urges global action on environmental problems

By Peter Riddell, US Editor, at the United Nations

A WIDE-RANGING strategy to protect the world environment and to tackle the problem of climate change was outlined yesterday by Mrs Margaret Thatcher, the Prime Minister, during a brief visit to New York to address the United Nations General Assembly.

She announced a greater British commitment to scientific research by establishing a Centre for the Prediction of Climate Change within the Meteorological Office and promised a further £100m ($158m) of bilateral assistance for the preservation of tropical forests over the next three years. She also called for a new global convention to conserve plant and animal life, especially in tropical forests, where many species are in danger.

Her 35-minute speech was intended to show her interest in and commitment to international action on environmental problems. In both content and delivery, the address was restrained and thoughtful, in contrast to her familiar speeches in Britain and was politely received by a packed assembly, with some scepticism later expressed by delegates about her pledges. During her 20-hour visit to New York there was no mention of her domestic political problems.

Mrs Thatcher's theme was that "the prospect of irretrievable damage to the atmosphere, to the oceans, to Earth itself" was now as menacing as the threat of war and its results could be "even more far reaching" than the discovery of how to split the atom.

Her solutions were based "on sound science and sound economics." She defended civil nuclear power, as well as the role of multinational industry which, through free markets, would do the research and make environmentally safe products.

Mrs Thatcher stressed the need for the best possible research and assessment. She not only announced new work on predicting climatic change, but also called for the prolongation of the intergovernmental panel on climate change after it submits its report for next year's UN-sponsored *World Climate Conference.*

In an indirect reference to this week's disagreement at the Dutch conference about setting deadlines for freezing levels of polluting gases such as carbon dioxide, Mrs Thatcher argued the need "for sound scientific analysis" before targets could be agreed on the reduction of greenhouse gases in ways which would allow economic growth to continue. Rejecting the call for new institutions, she said that a framework convention on climate change as a guide to good conduct, should be ready by the time of the United Nations World Conference on Environment and Development in 1992.

Mrs Thatcher also placed particular emphasis on Britain's intention to draw up an environmental agenda for the next decade.

Editorial comment, Page 18

MARKETS

STERLING
New York close
$1.5885 (1.5863)
London:
$1.5865 (1.581)
DM2.9275 (2.915)
FFr9.920 (9.885)
SFr2.5650 (2.5575)
Y227.00 (226.75)
£ *index* 88.9 (88.7)

GOLD
New York: Comex Dec
$390.8 (388.4)
London:
$384.25 (same)

N SEA OIL (Argus)
Brent 15-day Dec
$18.95 (+0.025)

Chief price changes yesterday: Page 21

DOLLAR
New York close
DM1.8450 (1.8415)
FFr6.2515 (6.247)
SFr1.6170 (1.6155)
Y143.175 (142.885)
London:
DM1.8455 (1.8445)
FFr6.2525 (6.253)
SFr1.6170 (1.6175)
Y143.15 (143.40)
$ index 69.7 (69.8)
Tokyo close: Y142.97

US LUNCHTIME RATES
Fed Funds $8\frac{7}{16}$%($8\frac{1}{2}$)
3-mo Treasury Bills:
yield: 7.92% (8.01)
Long Bond:
$102\frac{3}{4}$ ($102\frac{7}{8}$)
yield: 7.88% (7.87)

STOCK INDICES
FT-SE 100:
2,203.8 (+25.6)
FT Ordinary:
1,774.2 (+20.4)
FT-A All-Share:
1,109.88 (+1.1)
New York close
DJ Ind. Av.
2,623.36 (+26.23)
S&P Comp
338.15 (+3.34)
Tokyo: Nikkei
35,595.59 (+325.13)

LONDON MONEY
3-month interbank:
closing $15\frac{1}{32}$ ($15\frac{3}{32}$)
Liffe long gilt future:
Dec $92\frac{7}{32}$ ($91\frac{23}{32}$)

MARKET REPORTS: CURRENCIES, Page 44; BONDS, Pages, 27, 28; COMMODITIES, Page 36; EQUITIES, Pages 37 (London), 45 (World).

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Time to take the war to the enemy

In President Mitterand's second term of office French businesses have gone on the offensive, shaking off a shroud of insularity and embarking on a costly series of foreign acquisitions Page 18

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WORLD TRADE NEWS

UK Government clings to idea of key role for ECGD

By Anthony McDermott

THE BRITISH Government is clinging tenaciously to the view that the Export Credits Guarantee Department (ECGD) – whether divided between support for foreign short, medium or long-term projects – should continue to help exports.

But there are evident doubts. Mr Douglas Hogg, the Minister of State for Trade and Industry, said yesterday, on being asked whether ECGD had a future: "I hope so." His press department later fortified strength in ECGD's existence in its present form.

Criticism came, within the context of a meeting of The Export Group for the Constructional Industries.

There, Mr D.A. Holland, the president, said that "in 1987 there had been a substantial increase in the total value of contracts".

He made the point that "we still think that soft loans are a sensible and appropriate method of giving aid in a world of poor countries and high interest rates."

One point he emphasised was that the Government need not push for the awarding of contracts to Britain "but we do ask them to ensure that the international contractors from Britain ... are not discriminated against in the pursuit of some mythical greater good. We think that on such questions our official representative should be partisan"

In another development yesterday, the UK Government published a report, entitled the "Future of the Export Credits Guarantee Department".

It was based on the Kemp report, whose main recommendations were: In the area of long-term and project business, the private sector would cover such risks. There is "no alternative to a government scheme if British exports are to remain competitive".

The Insurance Services Group should become a "government-owned company administered through ECGD, with a view to the eventual introduction of private capital".

The conclusion: "ECGD plays a key role in UK exports and decisions taken now about its future could have a long-standing impact on UK international trade".

● The main industrial countries begin another round of negotiations next Monday in an effort to agree new rules to curb the growing use of mixed credits, or the practice of sweetening export credits with aid to make them cheaper and more attractive to buyers in the developing world, Peter Montagnon writes.

The talks, at the Organisation for Economic Co-operation and Development in Paris, come at the behest of the US and Canada.

They are dismayed by the failure of previous agreements in this area to halt a practice which they argue distorts trade and leads to expensive subsidy wars.

The agenda for the discussions has grown, however, to encompass other key areas of export credit finance, including the subsidies that are routinely paid on interest rates charged to developing countries.

Caribbean banana row deepens

By Canute James in Kingston

CARIBBEAN countries will not support the Dominican Republic's efforts to become a beneficiary of the Lomé Convention unless they get guarantees that the new member will not sell its bananas in the European Community.

Mr James Mitchell, the Prime Minister of St Vincent, said he wanted "cast iron assurances" from the Government of the Dominican Republic. "Unless we get these assurances, I will not support their application," Mr Mitchell told a conference in Barbados reviewing the impact of a single European market on the Caribbean.

"My colleagues support me on this," the Prime Minister said. St Vincent, and the other three islands of the Windwards group, which supply about 70 per cent of Britain's bananas, fear the loss of their protected market to cheaper Latin American fruit when trade is deregulated in Europe after 1992.

Earnings from bananas of about $150m per year underpin the islands' economies. But Dominican officials have been quick to repeat earlier statements that they have no interest in the banana protocol of the Lomé Convention.

"The Dominican Republic used to export bananas, but this stopped 30 years ago," said Mr Osmar Benitez, executive director of the Joint Agribusiness Coinvestment Council of the Dominican Republic. "Now we are eating all the bananas we produce. We have no interest in the banana market in the European Community."

Stopping the rot at US Eximbank

Nancy Dunne on new life in an embattled trade promotion agency

A NEW leadership team at the US Export-Import Bank is vowing to breathe life into the trade-promotion body, described by a senator recently as "a pathetic joke".

Eximbank, an independent agency, provides government-backed direct loans, loan guarantees and insurance to US exporters. Since the early 1980s, its direct loan authority has been slashed by more than 85 per cent to $695m (£435m) in fiscal year 1989. At the same time its competitors have been capturing key markets with an aggressive use of tied aid that Eximbank has rarely sought to match.

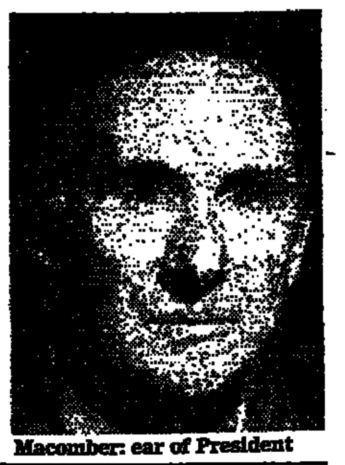
Mr John Macomber, chairman, and Mr Eugene Lawson, vice-chairman, have at least two advantages not shared by their immediate predecessors: the ear of the US President, in this case driven more by pragmatism than ideology, and a Budget Director not apparently out to strangle the export credit agency's programme.

On the minus side, they head a bank enfeebled by an eight-year battle for survival during the years of former President Ronald Reagan and which remains embattled under a President whose "no new taxes" pledge has so paralysed Congress that an infusion of significant new funding is unlikely.

Most US manufacturers talk of trade financing in the gloomiest tones. Eximbank's authorisation from Congress for direct loans is expected to fall again in 1990 to about $595m.

In spite of all this, Mr Macomber and Mr Lawson radiate confidence. The two men have been driving to and from work together each day planning strategy, and they claim strong support from the Treasury, which, under Mr Reagan, viewed the bank (as well as foreign export credit agencies) as something of a tool of the devil set on destroying the free market. Mr Macomber even talks of reversing the downward trend in direct loan funding for the 1991 fiscal year.

Lawson: 'I can get things done'



Macomber: ear of President

The two bring to the Eximbank complementary qualities and backgrounds. Mr Macomber, aged 61, a polished, amiable New Yorker with degrees from Yale and Harvard, and has strong ties to both Wall Street and the banking community. His innovations, as chairman of Celanese Corporation from 1978 to 1987, raised the value of the multinational company's stock from $24 to $245 when it merged with Hoechst.

Mr Lawson, 49, a fast-talking high-energy Oklahoman, knew the President from "way back" because his father was an independent oilman. A China expert, he has degrees from Princeton and Columbia and wrote a book on The Sino-Vietnamese Conflict. With 10 years of government experience, he says with assurance: "I can get things done."

Thus far, Mr Macomber has impressed both business lobbyists and senators with what seems to them realistic views drawn from his extensive experience. Soon after his swearing in, Eximbank and the Treasury sent to Congress a much-delayed plan for responding to the mixed credits crisis, promising a more aggressive stance.

The product of contentious debate within President George Bush's Administration, the mixed credits proposal resurrects a little-used $100m "war chest" for mixed credits and gives business the long-awaited assurance that the Administration will use separate foreign aid funds, allocated to USAID, the aid agency, to provide support for the kind of infrastructure and capital projects for which US exporters have been unable to compete.

Proving its intentions, the bank will work with USAID and American Telephone & Telegraph for a big telecommunications contract in Indonesia. Tied aid of some sort is virtually a requirement in the bidding; Indonesia has asked for 3.5 per cent financing to be repaid over 25 years after a seven-year grace period.

Mr Macomber has demonstrated his intention to pursue other innovations. He has become a strong backer of a pilot $20m interest buy-down scheme to subsidise the return of commercial banks to export finance, which alone could produce $200m in trade credits.

There have been discussions with Mexican and US banks to implement a "bundling" scheme so that money lent by Mexican banks would be packaged for sale on the American capital markets, backed by Eximbank guarantee.

Mr Macomber sees export credit agencies as part of Treasury Secretary Nicholas Brady's Third World debt plan.

He pointed out that in 1988, they had an exposure to the less developed countries of $246bn – $26bn more than the exposure of the development banks and the International Monetary Fund.

Eximbank is also open for business in Hungary, and Mr Macomber is getting the machinery ready for a return to Poland, once its official debt has been rescheduled.

Mr Lawson has been given the congressional relations brief, and he is determined to repair what has become a bitter adversarial relationship. "Congress likes Eximbank, but they want to see us being aggressive," he says.

The two men have been courting key members of Congress. Senator William Heinz, long a critic of the bank, met Mr Macomber and came away impressed. But, he says, the bank's loan programme should be three times its current level.

Others are still sceptical that anyone at Eximbank can win the firm backing of the Treasury or the Commerce Department for the resources the bank needs.

"We wouldn't have taken these jobs if the President was going to chop us back," Mr Lawson says. "We're here to make a difference."

Saudi deals for BAe and Rolls-Royce

By Victor Mallet

SAUDI Arabia has approved the first two British investment proposals for an offset programme linked to British defence sales, and a formal announcement in London and Riyadh is expected shortly.

It is understood that the Saudi authorities have approved one proposal for British Aerospace, Dowty and Saudi partners to establish a missile engineering facility for repair and maintenance, and another proposal for the involvement of Rolls-Royce in the planned Middle East Propulsion Centre for overhauling jet engines.

Each of the two projects is estimated to be worth more than £50m, and approvals for other proposals in civilian industries are likely to be granted soon.

The offset programme is supposed to generate about £1bn of UK investment in Saudi Arabia, as part of the arrangements for the Al-Yamamah defence project.

BAe is the main contractor for the deal, which includes the sale of Tornado aircraft and is thought to be worth at least £15bn.

● The commercial committee of the Gulf Co-operation Council will hold a meeting in Oman on December 28 to discuss implementation of the Unified Economic Accord.

The committee includes heads and secretary generals of chambers of commerce and trade in the GCC, which groups Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain and Oman.

Mr Mohammad al-Mullah, secretary general of the Gulf Chambers of Commerce and Industry, said that the establishment of a joint Gulf market depends on unification of regulations and legislations.

Capital plan for US electronics

By Louise Kehoe in San Francisco

THE US Government should sponsor the formation of a multi-billion dollar investment corporation that would provide low-cost capital to US companies entering the consumer electronics market, a high-level presidential advisory committee is expected to recommend this week.

In a report that is expected to be delivered to President George Bush today, the National Advisory Committee on Semiconductors proposes a series of actions aimed at boosting the competitiveness of the US semiconductor industry.

Members of the committee include semiconductor, computer and electronics industry executives and senior government officials.

Key recommendations included in the committee's report focus on efforts to re-establish the moribund US consumer electronics industry, which it is hoped would become a big purchaser of US-made semiconductor chips.

The committee proposes the formation of an investment company, to be known as the Consumer Electronics Capital Corporation (CECC), that would provide low-cost capital to companies manufacturing consumer electronics products such as advanced television sets and video recorders.

The privately run, for profit investment group should receive loan guarantees from the federal as well as state governments. This would enable it to raise $2bn to $10bn in low-cost capital for consumer electronics ventures, the committee suggests.

The proposal is expected to receive broad support among US electronics industry executives who have long argued that they are stymied in their efforts to compete with Japanese rivals by the high cost of capital in the US.

Congressional support for the proposal is already building. Congressman Mel Levine, has held discussions with committee members about sponsoring legislation to enact its recommendations.

In an "interim report" issued earlier this year, the committee called for government support for a national programme to develop High Definition Television. That recommendation was largely ignored by the Administration, and the committee's final report avoids any specific mention of HDTV, addressing instead the broader "consumer electronics" sector.

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Growth impact of 1992 'greater than forecast'

By Guy de Jonquières, International Business Editor

THE European Community's single market programme is likely to provide a much bigger stimulus to economic growth than previously expected, according to a study* by the London-based Centre for Economic Policy Research.

The study, by Mr Richard Baldwin, a research fellow at the centre, says the gains could be more than four times greater than forecast in the Cecchini report on the economics of 1992.

The Cecchini report, published by the European Commission last year, is the most comprehensive attempt so far to measure the likely economic impact of removing EC internal trade barriers.

THE OUTPUT INCREASE FROM 1992 (Estimated % increase in GDP)

	France	W Germany	Netherlands	UK	Belgium
Low	3.3–8.5	3.4–8.8	3.4–8.8	3.1–8.1	3.5–9.0
High	4.5–11.7	5.7–14.9	5.6–14.2	5.8–12.5	5.9–25.4

Source: Richard Baldwin's estimates

While emphasising that his estimates are very tentative, Mr Baldwin suggests the 1992 programme could produce an increase of between 3.5 and 19.5 per cent in Europe's real standard of living. That compares with gains of between 2.5 and 6.5 per cent forecast in the Cecchini report.

For individual countries, the programme could boost medium-term growth by between 3.1 and 12.5 per cent in Britain, by between 3.3 and 11.7 per cent in France and by between 3.4 and 14.9 per cent in West Germany.

Mr Baldwin says Cecchini under-estimated the gains from 1992 by concentrating only on the once-and-for-all, or "static", effects of removing trade barriers on the allocation of economic resources.

He argues that those gains may turn out to be much smaller than the knock-on "dynamic" effects which will be felt over the medium term.

The importance of this "growth bonus", which Mr Baldwin expects to flow through in the 10 years after 1992, would depend on the size of the initial, one-time gains.

However, he warns that the EC would forego most or all of these benefits if it retreated into "Fortress Europe" policies designed to protect the single market from other countries' imports.

Mr Baldwin's central argument is that, as well as increasing the efficiency of the existing capital stock, 1992 will encourage European and other companies to make fresh investments in Europe, further boosting output and growth.

Although that boost would wear off in time, Mr Baldwin notes that some contemporary economists argue that increased returns on capital lead to accelerated technological innovation.

If such theories were true, 1992 might permanently add between 0.25 and 1 per cent to Europe's annual growth rate.

* *The Growth Effects of 1992 by Richard Baldwin; Economic Policy No. 9, November 1989. £10.50. Available from: The Journals Publicity Department, Cambridge University Press, The Edinburgh Building, Shaftesbury Road, Cambridge CB2 1BR. Tel: (0223) 325807.*

Court blocks Hoechst bio-engineering plant

By Peter Marsh

EFFORTS BY West Germany's powerful chemicals industry to establish a presence in the new technology of genetic engineering were dealt a blow yesterday following a ruling from a court in the state of Hesse.

The court blocked plans by Hoechst, a big West German chemicals company, to establish a production plant using the techniques to make a novel form of insulin, a drug based on a natural hormone and which is used by diabetics.

Hoechst has already spent DM60m (£20.5m) on building a large research unit at its Frankfurt headquarters which could be used for large-scale production of insulin using the new techniques.

The company said yesterday that, following the court ruling, it would have to stop work on scaling-up its technology to turn the unit into a fully operating insulin factory.

It said the decision was disappointing and was likely to hold back progress in genetic engineering in West Germany.

The court's ruling – made in response to arguments by environmental groups that genetic engineering involves unknown safety risks – is likely to have ramifications for other large West German chemicals groups, including BASF and Bayer.

The West German industry believes that genetic engineering – a series of new ideas in biology for making new and existing chemicals using methods based on manipulation of genetic material – could be of vital economic importance over the next decade.

But efforts by all three companies to build up expertise in this area have been hampered by fears about the potential safety risks of the technology, which have been mainly voiced by environmental groups.

This has led to both BASF and Bayer deciding to base much of their genetic engineering research in the US instead of West Germany.

Hoechst said yesterday that it was not planning to follow this route. It said it was still hopeful of eventually being allowed to proceed with its plans for the insulin plant.

The company said that after yesterday's ruling it would probably have to wait until 1991 before it can make its next application to government authorities to build its plant. Hoechst is hoping that new federal legislation will be introduced in 1991 which will clarify some of the safety issues related to the technology.

Flowers for Spain's Prime Minister Felipe Gonzalez (centre) at the start of a visit to Hungary yesterday. On the left is his Hungarian counterpart, Mr Miklos Nemeth

Eta bombers pay heavy price

A SPANISH court yesterday ordered some of the longest jail terms in the country's history, sentencing four Basque separatists to 2,232 years' imprisonment each for a bomb attack, Reuter reports from Madrid.

Madrid's High Court sentenced the four, members of the Basque separatist group Eta, for an attack in the Spanish capital three years ago in which 12 Civil Guardsmen were killed.

The maximum time they can actually serve in jail under Spanish law is 30 years.

Jose Ignacio de Juana, Antonio Troitino, Esteban Esteban Nieto and Ines del Rio Prada were convicted of murder and 78 charges of attempted murder.

They blew up a bus in a convoy carrying more than 70 guardsmen through central Madrid in July 1986. Sixty people, including 17 passers-by, were injured in the attack, one of the bloodiest by Eta in its 21-year war for a separate state.

Spain's High Court sentenced two Basque separatists last month to 793 years jail each for a 1987 supermarket car bombing which killed 21 people.

Arch rivals seek ways of averting Greek crisis

By Kerin Hope in Athens

GREECE'S TWO political arch rivals, conservative leader Mr Constantine Mitsotakis and the former Socialist Prime Minister, Mr Andreas Papandreou, met yesterday to discuss ways of averting a lengthy post election crisis.

The meeting, the first in two years, was the first sign of a possible consensus emerging after Sunday's election resulted in a hung parliament.

Mr Mitsotakis, whose New Democracy Party won 148 seats in the 300-member house, is hoping to form a minority Government. But the Conservatives' free market economic policies, which are derided as "Mitso-Thatcherism" by the Socialists, would have to be sharply modified if they are to secure support from the left in a parliamentary vote of confidence.

Mr Papandreou, 70, still bears a grudge against Mr Mitsotakis, 71, for defecting with a group of deputies from his father's centrist party in 1965. The revolt brought the downfall of Mr George Papandreou's government and opened the way for a military coup two years later.

The Socialist leader has again indicated that he would like to join forces with the Communist-dominated Left Alliance party. But with the Socialists holding 128 seats and the Alliance 21 seats, a left-wing coalition would be a fragile affair, dependent on backing from at least two of the three independent members.

The Left Alliance leader, Mr Harilaos Florakis, also made a bid for consensus, appealing for a broad-based Government of "mutual acceptance" to be formed to solve "urgent economic problems, safeguard workers' standards of living and tackle environmental problems."

If Mr Mitsotakis fails to form a Government, Mr Papandreou will take over the mandate at the weekend, followed by Mr Florakis.

It may be left to President Christos Sartzetakis to propose a Government of national unity in a fourth mandate at the end of next week.

French construction groups fined £17m for fixing prices

By William Dawkins in Paris

THE French Competition Council yesterday imposed record fines of FFr166m (£16.8m) on 80 leading road building and construction companies for illicitly conspiring to fix prices for public contracts.

This is a remarkable move in a country which has traditionally urged a flexible approach to competition policy among its European Community partners and has frequently fallen foul of EC competition rules itself. Hardest hit is Entreprise Jean-Lefebvre, the privately owned Paris-based road building group, with a fine of FFr30m, easily the highest competition fine imposed in France.

Two subsidiaries of Bouygues, one of the world's largest construction companies, are also found to have broken French competition law. They are Screg and Colas, road building materials and equipment suppliers, which have been fined FFr25m each. There are also big penalties for Société Chimique de la Route, with FFr18m, and Viafrance with FFr11m.

The decision is extremely unusual for the council, which normally keeps to small consumer affairs cases, and represents the climax of an inquiry started in 1985 by the Ministry of Finance. However, Mr Pierre Bérégovoy, the Finance Minister, has always been keen to promote competition in all aspects of French economic life and this represented a continuation of that policy, said an official.

The last time the French authorities imposed a competition fine of anything like this scale was last year, when it charged a group of property and civil engineering surveyors FFr15bn for price-fixing, including one fine of FFr7bn.

The council accuses the road building companies of getting together to decide in advance who should win certain contracts and adjusting their bids accordingly. They also tried to prevent companies outside the ring from forming joint subsidiaries to compete against them in road surfacing materials, said the council. Officials said the European construction industry in general was particularly prone to such practices, which gave rise only earlier this year to large fines imposed by the Bundeskartellamt, the West German cartel office, against a group of cement producers.

"These fines. . . should be of a nature to discourage similar practices in public markets in the future, equally punished with great severity in other countries," said the council.

Government to split post and telecoms services

By William Dawkins

FRANCE'S POST and telecommunications services are to be split to help them face growing international competition.

Mr Michel Rocard, the Prime Minister, said yesterday that details of a new institutional framework for the two bodies, now part of the Posts and Telecommunications Ministry, would be drawn up in consultation with all involved and put to Parliament next spring.

Fierce opposition is likely from the unions, which are already up in arms about an independent report, commissioned by the Government, recommending separation. They suspect Mr Rocard is paving the way for a possible privatisation of France Telecom, a suggestion strongly denied by government officials.

The report, by Mr Hubert Prévot, former head of France's national planning agency, falls short of calling for privatisation, but says the telecommunications service needs much more financial and managerial independence if it is to compete adequately against the forces being unleashed by the growing liberalisation of the industry in the European Community.

TURMOIL IN EAST GERMANY

Chancellor says Communist party must yield monopoly on power

Kohl sets terms for economic aid

By David Marsh in Bonn

MR HELMUT KOHL, the West German Chancellor, yesterday called on the East German Communist party "to give up its monopoly on power" and hold free elections as the condition for a "new dimension" of economic aid from Bonn.

The Chancellor said that self-determination for East Germans had to take precedence over the ultimate aim of German reunification. But, in a sign of how the vision of reforging German unity has come to the top of the political agenda, Mr Kohl told the Bundestag he was "certain" that, given the chance, East Germans would vote for "freedom and unity".

Underlining the mounting squeeze on the leadership of Mr Egon Krenz, Mr Kohl said that an extension of Bonn's financial support for the East would be worthless unless East Germany decisively reformed its economic system and wound down "the bureaucratic planned economy".

By spelling out, for the first time, the toughness of the conditions which Bonn is imposing for economic support, Mr Kohl, speaking during a debate on the "state of the divided nation", virtually called on the East Berlin Communists to organise their own eclipse.

Commenting on the latest flood of East Germans leaving their country – 60,000 in the past six days – the Chancellor admitted that the exodus was causing problems for the Federal Republic, above all in housing. But he declared that the departures were a "symptom of the fundamental problem of East Germany – the political leadership there is not elected by the people, and therefore our compatriots (there) cannot identify with this state."

A sign of common policies between the Government and opposition emerged when Mr Hans-Jochen Vogel, the Social Democrat leader, said in the same debate that his party would co-operate with Mr Kohl in helping to solve problems caused by the refugee tide. Mr Vogel also echoed the call for free elections in the East.

Mr Vogel said that East Germans had a constitutional right to come to West Germany. But, in a recommendation which was uttered in a more veiled manner by Mr Kohl, he said that fleeing East Germans should examine whether they should not stay in the East to prevent a decline of the East German state into "lethargy and chaos."

Mr Kohl said the outflows from East Germany – around 190,000 so far this year – illustrated "that the German question has not been solved, because the people are not willing to put up with present conditions." Latest statistics yesterday showed that 11,000 East Germans came to the West in the 24 hours up to Wednesday morning.

"These events have shown to the whole world that the division of our Fatherland is against nature; that the (Berlin) wall and barbed wire will not exist for ever."

Chancellor Kohl: "new dimension" in economic assistance

Anger and distrust of party remain in spite of upheaval

By Leslie Colitt in East Berlin

MR EGON Krenz's re-election to head a newly-manned ruling Politburo of the East German Communist Party was not broadly welcomed by East Germans last night. Their only consolation was that Mr Hans Modrow, the reform-minded Party leader of Dresden District, was appointed to the Politburo and named Prime Minister.

It was widely hoped that Mr Modrow's promotion to the Politburo would be the first step towards him succeeding Mr Krenz as General Secretary of the Party.

"Half a million people protesting here last Saturday showed what people think of Krenz. We don't trust him," a blue-smocked plumber said in Friedrichstrasse. "He should step down and then the Party should submit itself to free elections."

If this proved impossible then Mr Modrow was the only man acceptable as Party leader, he said.

The choice of Mr Modrow to head the government was regarded sceptically. "What good is Modrow leading the government when Krenz is in charge of the Party? Everyone knows it is the Party which decides what the Government does" an editor of a state publishing house said.

Along with most East Germans he found it difficult to believe that Mr Krenz was the man who could reform the neo-Stalinist Party. His speeches since taking over the top post three weeks ago had only convinced people that he held on to his ultra-conservative views.

If expectations of Mr Krenz were low, they were not much higher for the three-day meeting of the Central Committee which began yesterday with his re-appointment. "Watch, they'll come up with a resolution as long as your arm and will promise never again to abuse our trust," a researcher remarked. "Then they'll feed us some kind of a new programme. No one will believe it. People at this stage want only one thing, free elections."

A young bricklayer who wore the clasped hands emblem of the Socialist Unity (Communist) Party - the SED - on his jacket lapel, said rank-and-file Party members were angry at the leadership.

"The leaders ruined the Party's reputation with the people and we down below have to take the abuse," he said. There had been no "alarm device" to warn the Party of the serious problems in the country, he said. The lesson was that the Party had to be controlled by a "counter-power."

Mr Krenz's main problem was his past, which would be difficult to live down, he said. He noted that at each night's demonstration the same signs were held up: "Wer einmal lugt . . ." (He who lies once . . . is never believed.) This refers to Mr Krenz's role in organising massively-rigged elections last May and in supporting the Chinese leadership's suppression of the pro-democracy movement.

Mr Modrow's appointment as Prime Minister was a doubled-edged sword, a senior Party information official noted. If the Government was not given the independence it needed from the Party then Mr Modrow would be in a quandary, he said.

Massive criticism of the neo-Stalinist SED was mounting from its members in the basic organisations and from within the Party establishment.

Berliner Zeitung, the newspaper of the Party in Berlin, prominently carried an article by a new breed of Party ideologist, Dr Hans-Michael Karle, who said the Party leadership could no longer make decisions "alone, without any form of social control."

Der Morgen, the newspaper of the increasingly reform-minded Liberal Democratic Party (LDPD) unleashed trenchant criticism of the SED by noting it had misused its leading role. In the future East Germany must have a multi-party system which, it strongly suggested, would have to include an Opposition.

Krenz maps out route down reform's slippery slope

The party may draw conclusions from the experiences of its Communist neighbours, says John Lloyd

MR Egon Krenz cannot be accused of moving slowly. Yesterday's Politburo re-formation, hard on the heels of the resignation of the Government, is the latest in a series of reformist manoeuvres which has seen the Socialist Unity Party crumple up its previously rigid stance, like a sheet of tin before a bulldozer, and toss it aside.

In the Party's own terms, it has effected a revolution. It cannot, however, yet know if its terms can satisfy those of the protesters whose ever-larger mass demonstrations have whipped it along the road to reform.

Mr Krenz has been caricatured in a West German paper as an orchestral conductor, running after his departing orchestra, shouting: "Stop! I'm leading this band!". Can he get the band to stop? Can a stable reform be effected on an ever steeper, ever more slippery slope which both satisfies an aroused population and retains the Party in its leading role?

In short order, Mr Krenz has:

- Instituted an open dialogue between Party leaders with workers in factories, arguing that reforms are on their way and listening to grievances.
- Indicated that the Volkskammer, the formerly supine parliament, and the four so-far supine parties should play a more active role in the governing of the country. The nomination of Mr Hans Modrow, the Dresden Party leader and the most reformist of leading Communists, as the next Prime Minister to replace the retired Willi Stoph underscores this.
- Allowed the state-controlled media to cover demonstrations neutrally, even sympathetically, and to reflect the new line that the Party was wrong to delay reforms. At the same time, however, the media's new "glasnost" is still supportive of the Party: the main paper, Neues Deutschland, wrote on October 24 that "our party has in reality no other interest than the people and is now proving it has the courage to face the truth".
- Embraced (literally) the Gorbachev line of reformism which, while commanding popular support on the East German streets, also appeals to Mr Krenz because it assumes the continuing leading role of the Communist Party.
- Permitted the engaging of New Forum, the main opposition group, in committees and groups in such relatively liberal centres as Dresden.

The list shows a vast deal of ground covered. But apart from the yardstick of what the people will accept – which cannot yet be known – it can also be tested against the yardstick of change elsewhere in Eastern Europe and will be so tested by the awakened civil society in East Germany. That is not to say that each East European state does not have its own dynamic – nor that the example of Poland, Hungary, Yugoslavia and the Soviet Union is uniformly appealing to the East Germans. But they do give a pointer to what can be achieved and the perils facing the ruling parties.

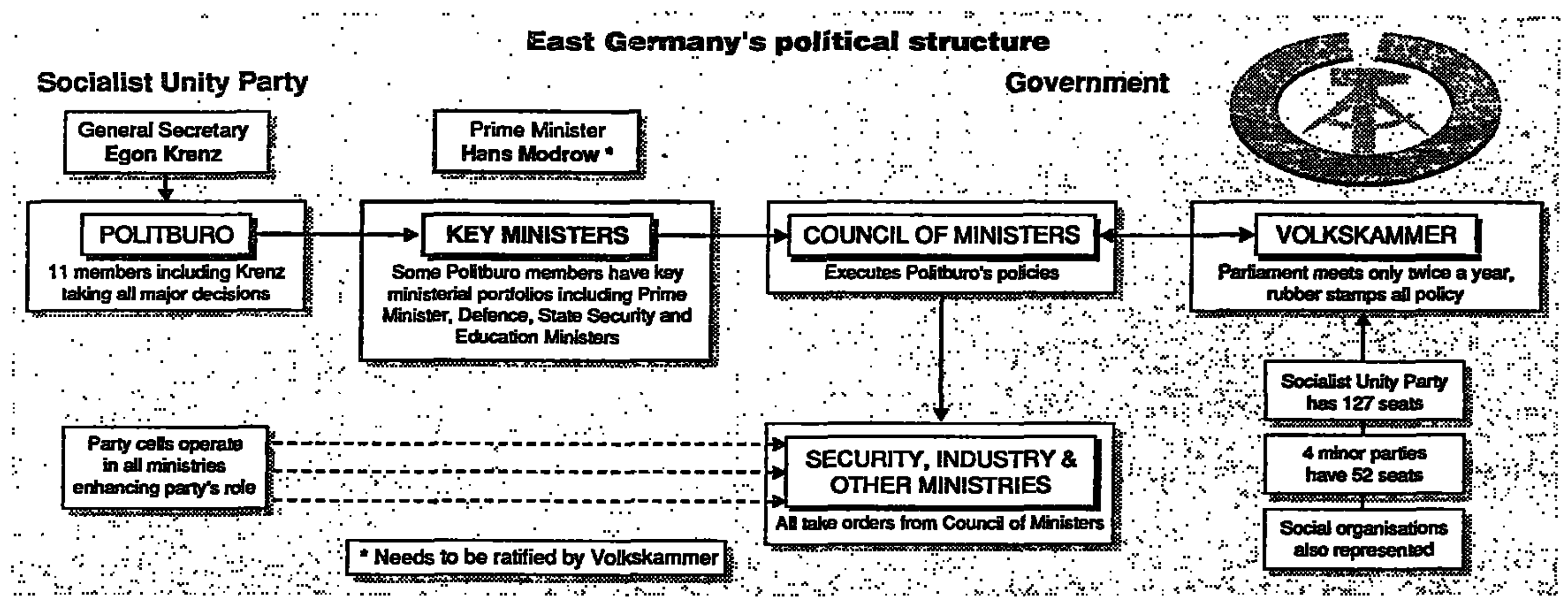
The Soviet Union has, under Mikhail Gorbachev, liberalised from the top down in response not to demonstrations in the street (these have come *after* liberalisation) but to analyses accepted by Party reformists that without reconstruction, a diplomatic initiative and some political reform, stagnation would turn to decay. Opinions differ on whether or not the release of pressure is containable, especially when living standards are falling: so far, however, the Party still "leads" the country and Mr Gorbachev still leads the Party.

Hungary, and less clearly Yugoslavia, are also attempting top-down reformism. Hungary's ruling Socialist Workers Party has transformed (most of) itself into a Socialist Party; the Government has declared itself above party; and elections to Parliament should take place early next year. The Yugoslavian League of Communists is split about democracy but the Federal Government, led by Mr Ante Markovic, wants both pluralism and a stronger role for itself (as against the League and the warring republics).

Poland is the awful warning for the East German Communists. Its Party, weakened by years of martial law, began to clutch after reform in the midst of a strike wave and before a sullenly unco-operative people: it brought Solidarity out of the underground to the Round Table, struck a deal on elections which guaranteed power to the communists for four more years, then found that the minority of seats it did allow to be contested returned such an overwhelming Solidarity victory that it could claim no moral basis for rule.

It must be stressed the experience of any one of these states cannot be applied crudely to any other.

But in common has been a ruling party which monopolised political truth and action. Once that falters, it seems, the forces unchained dictate a pace of change which the once-ruling group cannot wholly control – if they can control it at all. The evidence tends to the interim conclusion that Communism is an all-or-nothing system: the East German leadership will have a great deal to do to disprove that.



THE GOVERNING structure of East Germany has been classically Leninist: the party has been unambiguously in charge.

Mr Egon Krenz, the Socialist Unity (Communist) Party's general secretary (he is also chairman of the State Council, ie head of state) heads a politburo which makes all policy decisions.

In it has been the Prime Minister, the two First Deputy Prime Ministers and the Ministers for Internal Affairs, Defence, State Security and Education.

The Council of Ministers, or what in the West would be termed a cabinet, is formally elected by the Volskammer, or assembly.

That assembly actually contains a minority of Socialist Unity Party deputies, but the four other parties have so far obeyed the party line, and the social organisations which are represented – as the trade unions, women's, youth and sport organisations – are themselves party-controlled bodies.

The party itself is organised on the principles of democratic centralism: that is, all decisions taken by the top-level bodies are binding on all members.

The formal supreme power is vested in the party congress, which meets once every five years. Between congresses, the central committee carries out party policy, delegating day-to-day rule to the politburo, which has supreme power in party and state.

The system has both the strength and fragility of a monolith. When unchallenged and undiluted, it works well by its own lights. When tinkered with, it tends to fall apart.

Britain urges dismantling of the Berlin Wall

By Robert Mauthner, Diplomatic Correspondent

BRITAIN yesterday called for free elections and thorough-going reforms in East Germany.

An unusually frank statement issued by the Foreign Office in London called not only for the dismantling of the Communist regime, but also the Berlin Wall which, it said, was "the symbol of a system that has been massively rejected."

"The resignation of the politburo is an historic step. The people are reaching out to freedom. The regime can no longer deny it to them," it said.

"As in Poland and Hungary, there must be free elections. Openness, pluralism and the rule of law must come. The people in the German Democratic Republic want to live like their neighbours. That is their right. We support it wholeheartedly."

Britain admired "the steadfast approach" of the Federal Republic of West Germany and "the massive efforts" it had made to accommodate the people who had left East Germany. "At the same time, we fully agree with Chancellor Kohl (of West Germany) that people should not leave the GDR. It must become a place where they want to stay."

Earlier, the Foreign Office had said it was premature to consider the possibility of sending aid to East Germany.

OTHER EUROPEAN NEWS

West's steel growth 'coming to an end'

By Nick Garnett

ONE OF the longest sustained periods of growth enjoyed by the Western world's steel industry is coming to an end, according to a paper published yesterday by the International Iron and Steel Institute.

An expected decline in consumption next year will be modest, however, with a fall in Western world consumption of 1.7 per cent. Overall steel demand by the mid-1990s is still expected to be well above that of the more typical years of the mid-1980s.

Meanwhile, production capacity in industrialised countries will continue to fall but will rise in industrialising countries to a point in 1993 more than a quarter up on two years ago.

These views are contained in a paper delivered at a London conference yesterday by Mr Dieter Anderson, director of the institute's department of economic affairs.

Steel demand in the European Community is expected to reach 124m tonnes this year, 3m higher than last year, Mr Anderson said. Japan's consumption will be 6m tonnes up on last year at 93m tonnes. Consumption in the US, however peaked last year and this year's figure will be down by about 7m tonnes.

Demand was expected to be up in Taiwan by 30 per cent (3m tonnes) and South Korea by 12 per cent (2m tonnes), Mr Anderson told the conference, organised by the UK's Institute of Purchasing and Supply.

Mr Anderson said that adding apparent consumption in industrialised and developing countries will produce a figure of apparent consumption in the West for 1989 of 494m tonnes, 1.8 per cent (9m tonnes) above that of 1988.

The institute expected steel output in the so-called centrally-planned economies to be unchanged at 297m tonnes, giving a world total figure for this year of 791m tonnes, 1.1 per cent up on 1988.

This comes after more than 32 months of sustained growth, the longest in the industry's recent history. Mr Anderson said 1989 will represent a peak figure, at least matching the previous peak of 1973, even without taking into account higher yields of finished products from crude steel.

The US is predicting a further decline of 5m tonnes in 1990. Demand in the EC will remain firm but de-stocking will lower the apparent consumption figure by 5m tonnes to 100m tonnes.

The Japanese market will continue to be buoyant though about 3.7 per cent down on this year's exceptionally strong market.

Total consumption of the industrialised countries next year is expected to fall by 13m tonnes, a drop of 3.4 per cent. For the western world as a whole, it is likely to fall by just 9m tonnes, a drop of 1.7 per cent on the 1989 peak.

Mr Anderson predicted that Western world consumption by 1995 will have made up the fall expected next year and will be about 495m tonnes, marginally up on 1989.

Bonn to ease Warsaw tension with firm offer of help

By David Marsh in Bonn

MR Helmut Kohl, the West German Chancellor, will announce firm economic and political help from Bonn for the embattled Solidarity-led Government in Warsaw during a five-day visit to Poland starting today.

Mr Kohl, accompanied by Mr Hans-Dietrich Genscher, the Foreign Minister, as well as a strong delegation of ministers, officials, and business and cultural figures, will be doing his best to support a new era of non-Communist Polish rule.

Bonn is due to sign with Warsaw nine agreements on improving co-operation, ranging from scientific and technical exchanges to work on the environment and an accord to protect German investment in Poland.

The West Germans are likely to extend to Warsaw additional export credits for individual projects, which could total DM3bn (£1bn) over the next three years. A deal on waiving a large part of a DM1bn Bonn Government loan to Poland in 1975 is also expected to be announced formally.

However, Mr Kohl is likely to run into continued Polish resentment over residual German territorial claims on Polish territory – illustrating how centuries of upheaval between Germany and Poland intrudes still into the present.

Reflecting a last-minute effort by Bonn to allay Polish doubts over the border question, the Bundestag yesterday voted by a large majority in favour of a motion reaffirming the validity of the present German-Polish border.

The motion, which was backed by the dominant conservative parties in Mr Kohl's coalition only after a stormy meeting, represents a compromise between Left and Right.

One Bonn government minister said that the disputed border question – which has badly discomfited Mr Tadeusz Mazowiecki, the Polish Prime Minister, in recent days – would definitely "overshadow" the Chancellor's trip. One official close to Mr Genscher said that the border issue was a "nightmare" and that the compromise would end up satisfying nobody.

The controversy arises from the annexation in 1945 by Poland, at the behest of the Soviet Union, of eastern areas of Germany formerly belonging to the Reich. Since this seizure has not been sanctioned by a peace treaty, the position of Germany's eastern border with Poland is legally unclear, leading to residual suspicions in Poland that a reunited Germany might one day seek to claim back land.

Yesterday's motion, backed by the conservatives as well as the Opposition Social Democrats (SPD) and Mr Genscher's Free Democrats, sets down that the border issue will only be finally resolved on completion of a peace treaty with the Second World War victors. This is in line with the legal interpretation of the 1970 Warsaw Treaty between West Germany and Poland.

However, the Bundestag motion also specifically backs the declaration, supported above all by Mr Genscher and the SPD, that "the Germans" will make no territorial claims on Poland "either now or in the future".

The West German Chancellor's six-day visit to Poland which starts today will raise mixed feelings among Poles, Christopher Bobinski report from Warsaw.

The visit, designed to re-open political relations after the martial law freeze, signifies support for Poland's present economic and political changes and normalises economic ties without which Poland's chances of recovery are slight. But memories of the last war, which fuel anxieties about Germany's future intentions towards Poland, are never far form the surface, and they run parallel to the respect in which West Germany's economic successes are held here.

Poland owes West Germany $6bn, or just under one seventh of Warsaw's external debt, and no doubt each meeting Mr Kohl will have right across the political spectrum, from Solidarity to the Communists, will have him hear that this burden must be reduced.

The two sides will be signing agreements on investment protection as well as on an offer of $250m towards a $1bn Western stabilisation loan, and on the re-opening of West German Government's guaranteed credit lines up to the value of DM3bn.

The Poles will also want to hear assurances that their post-war Western frontier will never be questioned.

In this, they will in all probability be disappointed, with Mr Kohl sticking to assurances that while West Germany recognises the present frontier, he cannot speak for any future German state.

Solidarity under criticism from allies for 'anti-farming policy'

By Christopher Bobinski in Warsaw

POLAND'S Solidarity-led Government is beginning to come under criticism from its allies, both in Farmers' Solidarity and the established United Peasants' Party (ZSL), a member of the governing coalition.

Yesterday Mr Dominick Ludwiczak, the new head of the ZSL, which is due to hold a congress at the end of this month, told a press conference his party was disappointed at the number of senior government posts it had been offered.

Mr Ludwiczak, who has had two meetings with Mr Tadeusz Mazowiecki, the Prime Minister, on the subject, said his party, which has minimal electoral support but retains 500,000 members and some 70 seats in Parliament, was getting almost no coverage on television.

"We support this government and we don't want to fight it, but this state of affairs is becoming unbearable," he said.

The party is also unhappy at the refusal of the Government's economic team to grant farmers investment and other preferences and intervene to switch industrial production to satisfying farmers' needs.

The ZSL is echoing complaints which are beginning to come from Farmers' Solidarity, its political rival, whose leader, Mr Jozef Slisz, the deputy Speaker of the Senate recently accused the Government of conducting an "anti-farming policy".

Three months after controls were removed, retail food prices have risen tenfold, with demand for some items, such as butter, milk and the more expensive brands of meat, falling. This is causing fears that farmers may have to restrict output.

Farmers' Solidarity is beginning to argue that the Government should re-introduce subsidies but without much success. Mr Arthur Balacz, a Farmers' Solidarity minister in the Government, told a recent meeting in Szczecin that "the Government did not fully appreciate farmers' problems."

- The free market price of the US dollar plummeted yesterday, reaching the Zl 5,000 mark, compared with Zl 7,600 two weeks ago. The fall on the legal hard currency market, which is restricted to private citizens, comes as companies increasingly in need of zlotys to cover everyday expenses are putting their hard currency export earnings on sale.

Thus, the price of the dollar at auctions for companies run by the Export Development Bank (BRE) fell to Zl 5,500 on Monday, compared with Zl 6,627 two weeks before.

The fall has hit all those Poles who invested in dollars at the beginning of the autumn, when they cost Zl 10,000 or more as a hedge against inflation. On Monday the Government again devalued the zloty against the dollar by 17 per cent, bringing its value on the official rate to Zl 2,800.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HK drops two charges of corruption against Li

By John Elliott in Hong Kong

HONG KONG authorities have decided not to pursue two of the commercial corruption charges brought last year against Mr Ronald Li, former chairman of the colony's stock exchange.

They are also seeking the advice of a senior London lawyer about how to proceed with 13 out of a total of 16 corruption charges still outstanding against Mr Li and eight other defendants linked in the past with activities on the stock exchange.

The Government's legal department has written to Mr Li's solicitors and told them that no evidence would be offered on a charge that Mr Li accepted HK$630,500 (£51,260) as a commission on a sub-underwriting contract for 13m Cathay Pacific Airways shares in 1986.

This was referred to in the colony's central magistrates court yesterday by Mr Li's counsel who also said that Mr Li would appeal on December 11 for the quashing of three bribery charges referred by the prosecution to the High Court.

Three months ago it was announced that a charge was being dropped concerning Mr Li's alleged acceptance of 1.1m shares in Kumagai Gumi (HK), a joint venture with the Japanese construction company.


Li: faces many other charges

The Government's prosecuting counsel said yesterday that Mr Michael Kalisher, QC, had been hired from London to give legal advice on how the remaining cases should proceed.

It is believed that lawyers in the legal department have not been able to come to an agreed view on this issue, but a spokesman said that outside advice was needed because the department's "in-house QC", Mr A.P.Duckett, had been promoted to be acting public prospector and did not have time to handle the case.

Defence counsel yesterday expressed "grave concern" about the way the legal department was handling the central court case which was adjourned until November 29. In particular they attacked it for not proceeding more quickly. They pointed out that it was 22 months since Mr Li was first charged as a result of investigations that followed the 1987 world markets crash.

The criticisms reflect concern in the colony about the handling of the case and they also come at a time when the legal department, which is headed by Mr Jeremy Mathews, attorney general, has become embroiled in controversy.

Last month Mr Mathews reversed an earlier decision he had made not to prosecute Mr Christopher Harris, a former senior Crown counsel, for alleged incitement to procure girls under 21 for unlawful sexual intercourse. Three charges have now been brought.

Thousands of political activists arrested

Burma abandons efforts at reform

By Roger Matthews in Bangkok

THE REGIME in Burma has failed in its efforts to persuade Japan, formerly its largest aid donor, the International Monetary Fund and the World Bank that it is serious about implementing the programme of economic and political reform announced over a year ago.

At the same time there is increasing evidence of a sustained campaign of political repression in Burma despite the announcement of May 27 as the date for the first elections for nearly 30 years.

The State Law and Order Restoration Committee headed by General Saw Maung which crushed the massive pro-democracy demonstrations in September 1988 had been increasingly optimistic that the Japanese Government would soon lift its year-long ban on new aid to Burma. Until the crushing of the mass demonstrations Japan had been providing $250m a year.

Rangoon has also appealed to West Germany, the only western country to maintain a joint venture company in Burma, to resume aid "for the good of the Burmese people".

However in a recent message to Rangoon Tokyo has taken a tough stance warning of the damage caused to Burma's international standing by its recent actions and failure to effect economic reforms. While stressing that Tokyo had no intention of interfering in Burma's domestic affairs, it warned that Burma had to understand the depth of international feeling that had been aroused by its record on human rights.

Japan referred particularly to the house arrest of Aung San Suu Kyi and General Tin Oo, the two leaders of the National League for Democracy, and warned that the desired aim of stable government could only be achieved in Burma when there was an administration which enjoyed popular support.

An IMF and World Bank team also came away similarly depressed about the lack of progress towards genuine economic reform. The visit had been set up by Tun Tin, a former IMF official who is now close to Gen Saw Maung, but it was marred from the outset by the absence from the country of Col Abel, the minister responsible for finance and trade.

Members of the delegation found that no progress had been made in tackling critical problems such as inflation, the budget deficit, and an unrealistic exchange rate. The black market rate for the kyat is now some 10 times higher than the official exchange rate, one of the main causes of the rice shortage in recent months.


Gen Saw Maung

Burma defaulted last year on its $3bn-$4bn foreign debt and its reserves dropped at one time to an estimated $25m to $30m. Although it has earned some foreign currency by selling off timber and fishing concessions, subsequent expenditure replenishing ammunition stocks and weaponry for the armed forces has again brought its reserves to a very low level.

People without any history of political activity, meanwhile, are being detained on the street or at their home, taken to prison where they are hooded and manacled for four to five days, and then released after perfunctory questioning and a warning against getting involved in politics. Some have also been beaten and there are continuing reports of torture being used against the thousands of political activists arrested during the past few months.

Many of the country's jails have been emptied of common criminals in order to make space for the political detainees about whom little information is provided by the regime. On the rare occasions that visits are permitted to prisoners in Rangoon's main jail, the queue of relatives begins forming well before dawn, but even then it may be midday or later before they gain admission.

Reports also continue of a mounting death toll among the young men who have been press-ganged into acting as porters for the military in their battles against ethnic insurgents. Those who were unable to keep up or fell ill were simply left in the jungle to die, according to increasingly well-documented reports, while others have been shot.

Car bomb kills four in Beirut

By Lara Marlowe in West Beirut

A BOOBY-TRAPPED car in West Beirut yesterday killed four people and wounded at least 19 others, just an hour before the arrival in the city of Mr Rene Muawad, the newly elected Lebanese President.

The car bomb went off in a parking lot behind the international Red Cross headquarters in the Karakas district of West Beirut only 300 yards from one of the two residences that President Muawad was expected to use.

Syrian troops fired automatic weapons into the air to keep crowds away from the burning vehicle.

Among the dead were a middle aged woman, a vegetable seller and a small child. Other parked cars and a pile of gas cylinders exploded in the fires caused by the bomb.

Although President Muawad is a Maronite Christian, his election on Sunday was not recognised by Gen Michel Aoun, the Christian Lebanese military leader.

Gen Aoun refuses to relinquish the devastated presidential palace at Baabda which he has occupied as interim Prime Minister of a Christian government in East Beirut since September 1988.

Delhi claims compromise over disputed shrine

By David Housego in Lucknow

THE Indian Government yesterday claimed to have achieved a last minute compromise over the disputed shrine at Ayodhya that could avert much feared clashes between Hindus and Moslems at ceremonies due to start today.

The Vishwa Hindu Parishad, the Hindu fundamentalist movement, cast doubts, however, over the success of the compromise by declaring that they would go ahead with their own plans as originally announced.

The one encouraging sign was that militant Moslem groups called off planned demonstrations at Ayodhya after hearing assurances from the Government.

Tension remained high yesterday throughout the Northern Hindi speaking belt as both communities waited to see whether the two-day ceremonies to lay the foundation stone of a new Hindu temple would pass off without bloodshed.

As hundreds of thousands of Hindu pilgrims crowded into Ayodya, a small town about 135 kilometres north east of here, army units were brought into the area to reinforce the already tight security around the shrine.

Consecrated bricks have been arriving from all over India with which to construct the new temple which Hindu fundamentalists want to locate on the site of the Babri Masjid, a 6th century mosque. Hindu militants believe that the mosque – used by Hindus as a shrine for the last three years – marks the place where Lord Rama, one of the leading Hindu gods, was born.

The apparent compromise was worked out at a meeting here yesterday betwee Mr Buta Singh, the Home Minister, and representatives of the Vishwa Hindu Parishad. Under the compromise the foundation stone for the new temple would not be laid on what has been termed "disputed" land adjacent to the mosque but at some distance away. The compromise leaves open for the future whether the temple would extend across the site now occupied by the mosque.

Western donors pledge Nigeria $600m aid

By Ian Davidson in Paris

WESTERN donor countries have undertaken to provide Nigeria with more than $600m in concessional aid next year. The commitments were made at the first meeting of the new Consultative Group for Nigeria, held in Paris under World Bank auspices.

The Consultative Group, which includes member governments of the Group of Seven leading industrialised countries, congratulated the Nigerian Government on its commitment to the Structural Adjustment Programme which it adopted in 1986 after the very steep drop in oil prices.

With a per capita income of less than $300, Nigeria is recognised to fall in the ranks of the low-income countries, and the Group reaffirmed its support for the government's policy of achieving steady growth and minimising the social impact of the adjustment programme, especially for the poor.

The breakdown of the $600m between donor countries was not disclosed by the World Bank. But Mr Abubakar Alhaji, Nigerian Minister of State, said afterwards that it did not include commitments from either Japan or Saudi Arabia, and indicated that he expected commitments from these two countries later.

Other Consultative Group members are Canada, France, West Germany, Italy, the UK, the US, as well as a number of multilateral aid institutions including the African Development Bank and the IMF.

Mr Alhaji also said that Nigeria would be approaching donor countries in the Paris Club early next year for a rescheduling of its debt burden of $29bn, on which the service could not be sustained.

The consultative meeting expressed particular concern over the implications of the tight fiscal policy in Nigeria for social sector expenditures and the need to protect the poor; the donor delegates emphasised the importance of food security, primary health care and primary education.

Mandela to start talks with PAC leader

By Jim Jones in Johannesburg

MR Nelson Mandela, the ANC leader, and Jeff Masemola, the recently freed Pan Africanist Congress (PAC) leader, are to begin six-days of talks today at Mr Mandela's house at the Victor Verster prison.

The meeting is unprecedented as Mr Masemola will be living with Mr Mandela for the entire six days of discussions aimed at striking agreements between their two liberation movements. Mr Masemola said recently the PAC was not willing to dissolve itself to merge with the ANC but was prepared to discuss a common front in any negotiations with the De Klerk government.

In recent weeks the PAC has been publicly softened its extreme Africanist stance, saying it is not against whites but is opposed to white domination. The ANC is determinedly multiracial.

Neither organisation will admit to initiating the Mandela/Masemola meeting, but it is not inconceivable that the Government was a willing facilitator. Though he remains under house arrest, Mr Mandela has a telephone and fax machine to keep in contact with his associates inside and outside the country and he has virtually unlimited access to visitors he chooses.

Neither man can strike a deal with the other without first getting the green light from their two organisations' external and internal leaderships.

If Pretoria's plans for multiracial discussions on South Africa's future are to succeed it would prefer to have a united front of representative blacks at the negotiating table.

This, in turn, will involve persuading other groups, such as chief Mangosuthu Buthelezi's Inkatha movement, to join in. However, time is running short as it is widely believed Mr Mandela will be freed next January next year and that he will participate in talks aimed at extricating the country from its racial impasse.

Britain condemns the Khmer Rouge

By Robert Mauthner, Diplomatic Correspondent

BRITAIN yesterday strongly condemned the Khmer Rouge, responsible for killing an estimated 1m Cambodians from 1975 to 1978, but at the same time continued to express support for Prince Sihanouk, the leader of a three-party Cambodian resistance movement of which the Khmer Rouges are members.

Mr Douglas Hurd, the British Foreign Secretary, in a statement in the House of Commons, said the British Government's objective was "a sovereign and independent Cambodia, whose people are free to decide on their own future."

Britain did not have any diplomatic relations with "the unelected regime put in power by the Vietnamese."

At the same time it had consistently made plain its repugnance for the Khmer Rouge. "We have never given and will never give support of any kind to the Khmer Rouge," Mr Hurd said.

A Foreign Office spokesman was unable to throw any light on the apparent contradiction between Britain's repugnance for the Khmer Rouge and its support for the resistance coalition of which they are members. "Prince Sihanouk can do what he likes," the spokesman said.

Mr Hurd nevertheless announced that Britain had decided "to adapt" its stance at the United Nations on Cambodia. As far as the present session of the UN General Assembly was concerned, the question of the seat for Cambodia had been settled.

The decision by the Credentials Committee that it should continue to be filled by Prince Sihanouk's Coalition Government of Democratic Kampuchea had been approved without a vote.

But Britain's long-standing support for this position in no way implied readiness to deal with that Coalition as a government, much less support for the Khmer Rouge.

Britain had decided with its friends and partners to modify the draft Resolution which it, together with 73 other UN member states, were co-sponsoring at the UN General Assembly in the debate next week.

These changes were intended to make clear that the situation in Cambodia had changed and that Britain did not support the Khmer Rouge in any way.

Britain had also decided to step up its humanitarian aid programme to Cambodia by an additional contribution of $397,500 to be channeled through various UN and non-governmental agencies to help the many thousands of Cambodians living in camps along the Thai-Cambodia border, Mr Hurd said.

Sri Lankan troops moved east after Tiger massacre

By Mervyn de Silva in Colombo

ABOUT 900 Sri Lankan troops yesterday moved into Ampara in the war-torn Eastern province where minority Tamil guerrilla groups have turned on each other.

The decision follows a massacre of 26 members of the self-styled Tamil National Army by Tamil Tiger guerrillas. It is the first such deployment by Sri Lankan forces since a 50,000 strong Indian peace-keeping force took charge of security in Sri Lanka's north and east after the July 1987 peace accord.

Ampara the southernmost district of the ethnically mixed (Tamil and Moslem) Eastern Province has a large concentration of Sinhalese Buddhists.

Mr Ranjan Wijeratne, the Defence Minister, who returned from the province on Tuesday said in an interview : "The situation is explosive and I am particularly worried about the large haul of sophisticated weapons that the Tigers have seized."

On Sunday 300 Tamil Tiger guerrillas stormed two camps vacated by the Indian army and left in the hands of three pro-Indian Tamil guerrilla groups, the EPRLF, the TELO and the ENDLF. The groups had combined to form a so-called Tamil National Army. The Tigers massacred 26 guerrillas and left with truckloads of sophisticated arms given to the EPRLF by the departing Indians. "The weapons are more modern than any the Sri Lankan army has in its armoury", said Mr Wijeratne.

The three guerrilla groups are bitter rivals of the LTTE Tigers which together control the north-east provincial council set up after the "accord" to give the Tamils a measure of regional autonomy. The council was given the power to create a civilian volunteer force to undertake police duties. Under the guise of doing so, they set up a 7,000 strong Tamil National Army, trained and equipped by the Indians.

Jordan votes for first time in 22 years

By Lamis Andoni in Amman

FOR the first time in 22 years Jordanians went to the polls yesterday to elect a parliament that is viewed here as a prerequisite for public confidence in the establishment.

Islamic fundamentalists, traditionalists, Pan Arab Nationalists and communists were contesting the 80-seat parliament. In general the balloting was calm and orderly and, except for complaints of minor harassment by some leftist and Islamic candidates, the process was described as "fair and free".

There were huge crowds in front of voting centres while children in the Baqaa refugee camp, the biggest Palestinian refugee camp in the country, took to the dusty streets and alleys in small parades shouting names of candidates and destributing leaflets.


Jordanian voters in traditional head-dress present election cards to officials yesterday

Exhilaration was mixed with fear that the reign of political liberalisation would be short lived. Until last April, when anti-government protests swept some parts of the country, political freedoms were sharply curtailed under martial law, in effect since 1967. But recent relaxation of security measures and the election campaigns have raised hopes that the balloting would be a turning-point

Cambodian premier says war 'inevitable'

CAMBODIAN Premier Hun Sen yesterday said civil war was "inevitable" in Cambodia because foreign countries were funneling arms to guerrillas who oppose his Soviet-backed government, AP reports from Thailand.

In an interview with the official Cambodian news agency SPK, Hun Sen downplayed recent victories by a three-party resistance coalition that includes the Khmer Rouge and two non-Communist groups.

He accused China, the US, France, Britain, Singapore, Malaysia and Thailand of involvement in the guerrillas' military activities.

Hun Sen said a number of countries had not honoured their commitments to cease military aid to the coalition after the withdrawal of all Vietnamese forces from Cambodia last month.

"Hence a civil war is inevitable in Cambodia. The Khmer reactionary forces and their outside supporters are intending to make a test of forces in the military field within six months before they engage in a new round of talks," Hun Sen said.

SPK's report in Phnom Penh was monitored in Bangkok.

Hun Sen said the first stage of the guerrillas' strategy was to seize the north-western provinces of Battambang, Siem Reap and Bantey Meanchey.

"Over the past months, the enemy has made the highest possible efforts in their military campaigns involving almost all the armed forces of the three Khmer reactionary factions," he said.

But he said the coalition's "noisy claims about their so-called victories are nothing but a ploy of their psychological warfare."


Hun Sen: predicts war

Since the Vietnamese troop pull-out, the Khmer Rouge has seized the gem-mining town of Pailin and moved toward Cambodia's second largest city, Battambang. The Khmer People's National Liberation Front and a group loyal to guerrilla coalition leader Prince Norodom Sihanok have captured a number of government positions in the northwest.

The Cambodian army is supplied with weapons from the Soviet Union and until last month was backed by a formidable Vietnamese force that invaded the country in late 1978.

Hun Sen accused China, the US, France and Singapore of shipping military supplies to the guerrillas, and Thailand, Britain, Malaysia and the United States of training the two non-Communist groups. Hun Sen said China was training the Khmer Rouge.

The premier said Chinese, American and Thai military advisers and some Thai mercenaries had joined the guerrillas during their offensive.

The US denies sending lethal aid to the two non-Communist factions, but provides other forms of assistance. China and Thailand long have been the major backers of the coalition.

Likud ready to strike at the heartland of socialism

Hugh Carnegy reports on the battle for control of Israel's powerful Histadrut trade union federation

FOR several years Israel's right-wing Likud party has had the country's Labour Party, whose socialist Zionism dominated Israeli politics until a decade ago, on the defensive. Likud hopes to extend this ascendancy next week by striking Labour in its hitherto unassailable heartland, the powerful Histadrut trade union federation.

On Monday the Histadrut holds its four-yearly leadership elections, in which no less than 1.5m voters – or about half of the country's total electorate – are eligible to vote.

Opinion polls suggest Labour will retain overall control of the federation, which is much more than a trade union. It is a founding institution of the state and a pillar of Israel's socialist establishment. Its slew of industries, its health fund, pension fund and other organisations account for a remarkable 25 per cent of gross national product. However, the polls also show that the Likud is likely to make significant gains, perhaps increasing its share of the vote from 23 to 30 per cent. It may win control of some of the 65 local trade union councils up for election at the same time as the national leadership.

For the Labour Party – already hit by the decision of its erstwhile small, left-wing partner Mapam to fight independently – the battle is to retain 50 per cent of the vote which would ensure its supremacy in the federation without having to barter with smaller groups. This would be quite a slide from the 69 per cent it won in harness with Mapam in 1985, but in the circumstances would be greeted by the party as a considerable achievement.

The outcome may well have strong repercussions on the fraught Likud-Labour coalition government led by Mr Yitzhak Shamir, the Likud Prime Minister, who has billed the election as a kind of giant national opinion poll. A poor showing by Labour, following Likud losses in the general election a year ago and subsequent municipal elections, would weaken its already unconvincing efforts to push Mr Shamir into making concessions for peace with the Palestinians.

It would undermine the security of Mr Shimon Peres as party leader and deepen Labour's dilemma: whether the greater threat to its future lies in risking a probable defeat in an early general election or in continuing the demoralising five-year-old partnership with Likud.

But while these issues will grab the headlines, there is another debate underlying the election: this concerns the role of the Histadrut in an economy which is attempting to evolve out of its traditional socialist past into a more liberal, market-orientated future. The Histadrut is perhaps the greatest symbol of that past.

Since 1923, when it founded its industrial holding arm the Hevrat Ha'ovdim – The Workers' Company – to provide employment and housing for Jewish immigrants to Palestine, the Histadrut has built up what amounts to an economy within an economy based, essentially, on the principle of providing for workers' welfare.

Today Hevrat Ha'ovdim controls 30 per cent of industrial output through an array of companies covering almost every sector. The Histadrut's health insurance scheme covers some 80 per cent of the population, providing a virtual national health system. Its pension fund has 400,000 members.

The painful truth is, however, that many – if not most – of these enterprises are unprofitable or worse. In the last year, the biggest industrial group, Koor, has come close to liquidation and is shrinking fast as desperate attempts are made to keep on top of a $1.2bn debt. The health insurance fund is reckoned to have an accumulated deficit of Shl 1bn (£330m) and is propped up by the Government. The pension fund is said by the Finance Ministry to have an actuarial deficit of Shl 15 bn – equivalent to about 20 per cent of GNP.

Likud has tackled this by proposing that the Histadrut end its dual role of trade union and employer by selling its industries to employees and investors and use the proceeds to help rescue the pension fund. A withering report by a panel of academics recommending this, commissioned by Mr Ya'acov Shamai, the Likud candidate for general secretary, painted a picture of inefficiency, bad management and lack of accountability.

"An accurate portrayal of the workers' enterprises of the Histadrut is that of a privileged club for the benefit of managers who are well-rewarded and secure and who are free of monitoring and financial discipline," it said.

Mr Yair Tsaban, the committed socialist candidate of Mapam, also acknowledges the need for reform. He points out, for example, that the supreme executive branch of Hevrat Ha'ovdim is made up of the same members as the executive branch of the Histadrut; without management or worker representatives.

Labour's response, under its incumbent general secretary Mr Israel Kessar, has been to avoid talking about change and emphasise the security that Histadrut offers it members – which may ring hollow to Koor workers recently laid off in their thousands.

The party is in an awkward position. Its leader, Mr Peres, is, after all, a leading exponent of privatisation. Labour knows, as the Koor example has illustrated, that the problems of the Histadrut enterprises cannot be ignored. How they are dealt with will have a profound influence on the future shape of the Israeli economy.

Brazil reverses decision to freeze profit transfers

By Ivo Dawnay in Rio de Janeiro

BRAZIL has reversed its decision to freeze foreign companies' remittances of profits after coming under intense pressure from international corporations.

If confirmed, the turnabout would represent a significant victory for the foreigners who were dismayed by a move in June to halt profit transfers as part of measures aimed at bolstering Brazil's foreign exchange reserves. Two months after the regulations were introduced, the central bank relaxed the rules by allowing the transfer of dividends after a 60-day delay.

But profit remittances deemed to be over and above average dividends were retained, one company confirmed yesterday. The restraints caused considerable controversy among foreign companies which had long enjoyed stable rules on remittances. These allowed them to remit up to 12 per cent of their registered capital - funds brought into the country - without incurring penal tax rates.

The attempt to distinguish between what might be designated dividends and what might be profits over and above dividends also complicated the process. Foreign companies also complained that delayed dividend remittances were not attracting even Libor interests rates during the 60-day freeze as they had during past restrictions on foreign exchange transfers.

Now a report in the Rio de Janeiro newspaper, Jornal do Brasil, has said that senior bank officials have decided to withdraw the distinction between profits and dividends.

Acknowledging that loans from foreign banks were now "a thing of the past" in the light of Brazil's September moratorium on foreign debt interest, Mr Silvio Rodrigues Alves, head of the economic department, conceded that the central bank had come under fierce pressure to reverse its position.

"Companies will only invest in Brazil if they have security and the freeing of profit transfers was an attempt to improve Brazil's relationship with foreign investors to attract capital," he told the newspaper.

Central Bank officials were unable to confirm the report officially yesterday. However, the finance director of one multinational company said he believed the report to be correct.

"The whole business has been an unmitigated disaster," he said. "What we need is stable long term rules - now, perhaps, we will get them."

● Lawyers acting for Mr Silvio Santos, the television impresario who has become a candidate in Brazil's presidential elections, were yesterday responding to legal moves aimed at ruling him ineligible to participate in next week's poll. A decision on the candidacy is expected late tomorrow but might again be challenged in appeals to the Supreme Court.

Mexico's political alliance in jeopardy

By Richard Johns in Mexico City

THE HONEYMOON between Mexico's opposition National Action Party (PAN) and the ruling Institutional Revolutionary Party (PRI) seems to be over following an incident in which PAN supporters were beaten up.

PAN, a conservative opposition party, and the PRI formed an unlikely alliance around last month's electoral "reform" package.

About 50 PAN supporters were forcibly evicted by police while peacefully demonstrating outside the Governor's palace in Culiacan, Sinaloa.

Mr Rafael Morgan Rios, the PAN candidate for the city in last month's elections for the state legislature, was brutally beaten up and taken to hospital in the incident early on Tuesday, according to Mr Luis Alvarez, president of the party.

Alleging fraud by the PRI-dominated State Electoral Commission, PAN has been actively disputing the official results for Culiacan and also Mazatlan in the October 8 elections.

PAN, which was awarded only three seats in the 20-member assembly despite its strength in the state, has also filed charges against officials for failing to recognise what it claims to have been the undoubted victory of its candidate to the mayorship of Mazatlan

Mr Alvarez claimed that among others rounded up, thrown into trucks and dumped on the outskirts of the city were Mr Rafael Nuñez Pellegrin, federal deputy for the state.

EC announces aid package

By Lucy Kellaway in Brussels

THE EC yesterday announced a new three year aid programme for Central America of Ecu120m ($100m), aimed to increase trade between the five countries.

Mr Abel Matutes, the Commissioner in charge of EC relations with Latin America said yesterday that this was the first aid of its sort, and that it would have important macro economic effects in the region, and would lead to an increase in growth of 1 per cent.

The aid, Ecu40m of which will be extended in the first year, will be used to provide countries with foreign exchange, and with finance for imports and investments.

The five countries are affected are Costa Rica, Salvador, Guatemala, Honduras and Nicaragua.

Car insuring at standstill in California claim agents

By Patrick Cockburn

INDEPENDENT insurance agents in California have accused leading insurers of seeking to avoid writing car insurance in the lead-up to implementation of Proposition 103 which makes substantial reductions in insurance rates.

Insurance rates for private passenger cars in California are frozen while hearings are conducted into how far rates should be cut and how they should be determined. Under Proposition 103 rates should be reduced to 20 per cent below the level of November, 1987, with a further cut of 20 per cent for good drivers.

The passage of Proposition 103 in November, 1988, is of critical importance to US insurance companies and their customers. For the first time rates for most property and casualty insurance will be regulated in California, with the likelihood that the precedent will be followed in other states.

Independent insurance agents now say that Cigna Property/ Casualty and Aetna Life Insurance have cut commissions paid on premiums to agents from 15 to 10 per cent, citing the need to cut costs because of Proposition 103. The Independent Insurance Agents and Brokers of California said yesterday: "We can only guess they don't want to write auto insurance in California."

However the big direct writers of car insurance in California – Allstate Insurance State Farm and Farmers Group – are continuing to write insurance and keen to maintain market share.

The imposition of Proposition 103, which means tougher regulation of property/casualty insurance not just in California but in the US as a whole, is likely to happen in early 1990 at the end of hearings starting this week on the rate reuctions, "good driver discount" and fair rate of return for companies.

Nevertheless the advocates of Proposition 103 are confident that cuts will occur and the precedent of regulating property/casualty insurance, and above all private car insurance, is spreading. Mr Harvey Rosenfield, who led the campaign for Proposition 103, says he is confident that the cuts in rates will come soon but the timescale of their implementation depends "on when the insurance industry stops peppering us with lawsuits."

Mr Rosenfield and supporters of Proposition 103 want to see individual driving records, mileage driven and experience rather than where a driver lives as the main factors determining insurance rates.

Every company should have a "good driver" policy, available at a 20 per cent discount to drivers with not more than one moving traffic violation over the previous three years.

In addition an insurer could only terminate or fail to renew a car insurance policy for non-payment of premium, fraud or misrepresentation, or a substantial increase in the hazard insured against.

US blacks score famous victories

Lionel Barber reports on some bad news for Bush from the polls

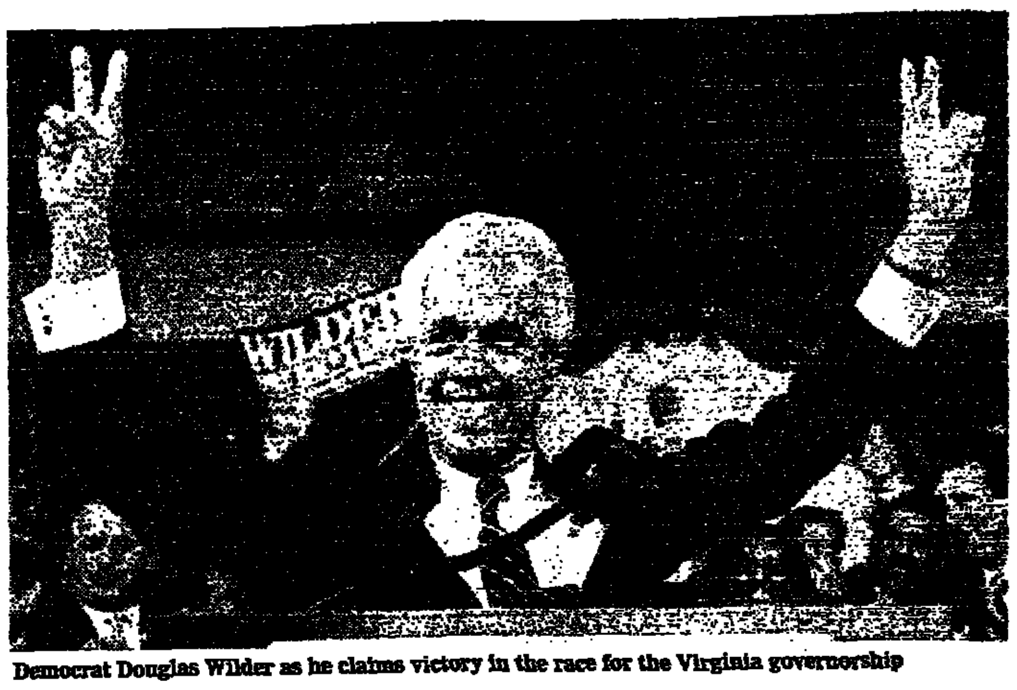
BLACK candidates scored historic victories in the off-year US elections as the Democratic Party notched up nationwide wins which may signal problems for the Republican party in 1990.

Mr Douglas Wilder and Mr David Dinkins scored first-ever wins for blacks in the race for governor of Virginia and mayor of New York respectively. However, in both contests the margin of victory was lower than forecast in the polls, particularly in Virginia where Mr Marshall Coleman, the Republican, may seek a recount.

In New Jersey, Congressman James Florio, running as a proponent of activist government, easily beat Congressman James Courter, his conservative Republican opponent, in the race for governor. Democrat gains could be even more significant if, as expected, they assume control of New Jersey's Assembly and redraw congressional district lines after the 1990 census.

Mr Ron Brown, the black chairman of the Democratic National committee, pronounced the victories as a "blow-out" for the Republicans. Mr Lee Atwater, chairman of the Republican national committee, responded by quoting the words of Mr Thomas P. "Tip" O'Neill, the former Democratic House speaker, who once said that "all politics is local."

The implicit warning is not to draw too many national lessons from a few state and local elections. But this year's contests nevertheless served as laboratories for issues such as race, abortion and negative TV campaigning for the more important mid-term elections next year for the House, Senate and governorships. Also at stake was whether President George Bush's high national approval rating would translate into Republican gains at local level.



Democrat Douglas Wilder as he claims victory in the race for the Virginia governorship

Initial surveys indicate that Mr Bush's popularity failed to move significant numbers of voters, even though he won Virginia and New Jersey easily in last year's presidential election. Moreover, Democrats such as Mr Wilder who ran on "pro-choice" platforms benefited at the expense of Republicans who either equivocated on abortion or stuck to their anti-abortion positions.

This is not good news for Mr Bush. It accounts for his recent efforts to tone down his previous anti-abortion rhetoric and argue that reasonable people can disagree about the subject. While Mr Bush may be right in saying, as he did this week, that abortion is not the single most decisive issue for voters, exit polls in Virginia and New Jersey show that many women felt it was an important influence.

One exit polling sample in Virginia indicated that single issue voters concerned about abortion were 62 per cent to 38 per cent in favour of Mr Wilder. In New Jersey, a New York Times/CBS poll showed that a majority of New Jersey voters wanted no change in abortion laws and that those concerned about abortion voted 2 to 1 for Mr Florio, the Democrat.

In other races, Mr Mike White became mayor of Cleveland, defying charges of wife-beating (by two former spouses) to beat a fellow black opponent.

In Seattle, Mr Norman Rice, became the city's first black mayor. In Houston, Ms Kathy Whitmaire won her fifth-term year term as mayor. Each winner took part in non-partisan elections. By recapturing New Jersey's governorship and holding on to Virginia, Democrats now control 29 statehouses, compared to Republicans holding 21.

Troubled NY will put Dinkins to the test

By Anatole Kaletsky in New York

MR David Dinkins' election on Tuesday was truly a symbolic victory – most obviously for the black community of America's biggest city and for Mr Dinkins personally, after an entire lifetime devoted to slow and patient progress up New York's Democratic Party machine.

But, just as importantly, at least for New Yorkers, Mr Dinkins' surprisingly narrow election win seemed to mark a troubling psychological turning point for what was a few years ago the world's proudest city. For Mr Dinkins' reticent and indecisive manner seems perfectly to symbolise the uncertainty and foreboding which has swept aside the traditional brashness of New York with the passing of the financial boom times of the mid-1980s.

The mixed emotions evoked by Mr Dinkins' election were evidenced most clearly by the surprising narrowness of his victory. The margin of only three percentage points over Rudolph Giuliani was much lower than the 10 to 15 per cent opinion polls had predicted, a difference which seemed to reflect the ambiguous effect of race on the result. White people were apparently less eager to back a black man in the privacy of a voting booth than to express their support in conversation with a pollster.

A similar message of racial divisions was conveyed by the exit polls, which showed that two-thirds of white New Yorkers cast their ballots for Giuliani, while Dinkins won 90 per cent of the black votes. By recent US standards, however, these voting patterns suggested a city where racism was relatively subdued.

In Chicago's recent mayoral election, for instance, the whites, as well as the blacks, voted for candidates of their own colour by a margin of nine to one. In general, then, the racial aspect of Mr Dinkins' victory was probably a cause of pride, rather than distress, among most New York voters.

The deeper causes of anxiety for the city now do not lie in the racial significance of Mr Dinkins' victory but in its economic and political impact. For what New York seems to need, after a decade of boom time complacency and growing maladministration, is firm, maybe ruthless, leadership capable of reversing a spiral of financial and social decline.

US OFF-YEAR ELECTIONS

State/City	Winner	Opponent
GUBERNATORIAL*		
New Jersey	James Florio (D)	J Courter (R)
Legislature†:	Dems 43 (39)	Reps 37 (41)
Virginia†	Douglas Wilder (D)	J M Coleman(R)
Legislature:	Dems 59 (64)	Reps 39(34)
MAYORAL		
New York	David Dinkins (D)	R Giulani (R)
Charlotte	Sue Myrick (N) (I)	C Madens (N)
Hartford	Carrie Perry (I)	Unopposed
Miami	Xavier Suarez (I) (N)	A LaCasa (N)
Minneapolis	Don Fraser (N)(I)	J Peterson
Pittsburgh	Sophie Masloff (I)	Unopposed
New Haven	John Daniels (D)	R Pooley
Seattle	Norman Rice (N)	D Jewett (N)
Detroit	Coleman Young (I)(N)	T Barrow (N)
Cleveland	Michael White (N)	G Forbes (N)
Houston	Katherine Whitmire (N)	F Hofheinz (N)
Ithaca, NY	Ben Nichols (D)	J Cookingham(R)
Durham, N Ca	Chester Jenkins (N)	N Strawbridge (N)
OTHER		
Texas, 18th District (qualified for run-off)	Craig Washington (D)	Anthony Hall (D)

† Preliminary results only
* And legislative elections - previous figure in brackets
R: Republican D: Democrat N: Nonpartisan election
(I) Incumbent

Few New Yorkers believe Mr Dinkins can provide this and even before the votes were finally counted, his political adversaries had already launched into the attack.

"The election of David Dinkins, a black man, to the highest political office in the capital of the world is an historic event – the ultimate, visible testament to equality for a minority too long denied," declared the right-wing New York Post's principal columnist, Ray Kerrison, yesterday morning.

After another sentence of perfunctory congratulations, Mr Kerrison proceeded to lay into Mr Dinkins with the terrifying ferocity of a New York cab driver jumping a mile-long avenue of amber lights. There were his "suspect financial entanglements," his economically destructive policy agenda of tax increases and rent controls, his "pernicious alliances" with the city's corrupt machine politicians.

Perhaps most alarming of all though, in terms of the city's long term future, was the Post's use of the term "capital of the world" to describe New York. As the election campaign ground on, this bombastic phrase seemed to be taken up by candidates and commentators of all parties – a clearer symptom could hardly be imagined of the growing desperation about the future of New York.

Trinidad and Tobago seeks to counter treachery of oil price

Canute James on braking an economic tailspin

IT IS the same with nations as it is with people, says Mr A. N. R. Robinson, Prime Minister of Trinidad and Tobago: "To avoid the worst, you have to introduce some kind of adjustment to your affairs."

And he feels his implementation of a structural adjustment programme at the start of this year was timely, and prevented the economy falling apart.

"You do not have to look very far to see what is happening today. You see what is happening in Guyana. Do you see what has happened in Jamaica? Jamaica's debt is the equivalent of 150 per cent of its gross national product. Ours is 40 per cent."

The measures, intended to correct the imbalances in Trinidad and Tobago's oil-dependent economy, have been largely more moderate than those implemented in Jamaica and Guyana. But the nature of the problem is the same.

High oil prices fuelled the robust economy to the point of overheating. The country became one of the most industrialised in the Caribbean, enjoyed a per capita income way above that of its neighbours and had become a benefactor to less well-endowed states in the region.

But the softening of the oil market unravelled the economy which depended on little else. Foreign reserves which were $3.3bn in 1981 were wiped out by last year. The petroleum sector's contribution to government revenues fell by a half from 1981 to less than 30 per cent last year. The fiscal and balance of payments accounts were under added pressure from the need to finance a foreign debt of $1.8bn, made up mainly of short- and medium-term obligations.

It was the pressure of servicing the debt which offered the stiffest challenge. The Government saw the need for refinancing arrangements with its commercial bank and Paris Club of official creditors, none of which would entertain its requests before an International Monetary Fund programme was concluded. Without refinancing, servicing the foreign debt would have demanded $474m this year, $537m in 1990 and $337m in 1991.

CARIBBEAN
structural adjustment

Debt servicing was being met, but there was a reduction in imports and the allocation of increasingly scarce foreign exchange was regulated. The administration was faced with growing difficulty in maintaining subsidies to several state companies which were heavy losers, and was being forced to reduce this support as part of general cuts in government expenditure.

The economy went into a tailspin, recording six consecutive years of contraction. Last year's decline in GDP was 3.5 per cent. Claiming that the parlous state of the economy was due, in part, to the faulty administration of the previous government, Mr Robinson turned to the IMF.

The help, when it came, followed the pattern of a package of stand-by credits and compensatory financing assistance totalling SDR141.5m (£114m), with a structural adjustment programme.

Agreement between the government and the IMF was preceded by an 18 per cent devaluation of the Trinidad and Tobago dollar, to a rate of 4.25 to the US dollar. This followed a 33 per cent devaluation in 1986.

The adjustment programme included a proposed 10 per cent wage cut for government employees as part of an effort to reduce the public sector deficit from 7 per cent of GDP last year to 4.1 per cent this year. This immediately raised the hackles of the country's trade unions which represented employees of the state.

But a one-day strike in March by teachers, bus drivers and sugar workers failed to change the Government's policy.

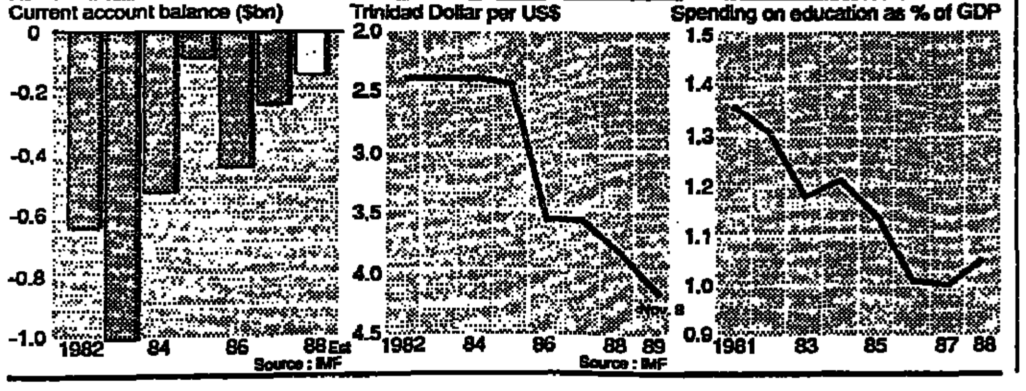
Although the dislocation caused by the programme in Trinidad and Tobago has not been as far-reaching as in Jamaica and Guyana, its implementation is being viewed with concern not only by organised labour. The deregulation of trade, which is one of the conditions of the IMF package, is worrying the private business sector.

According to the Trinidad and Tobago Manufacturers Association, the deregulation of imports and the granting of duty free concessions were "not practical for small countries like ours".

The association has asked the Government to be "careful" that the policy does not cause a contraction of the manufacturing sector. Structural adjustment, argue the manufacturers, means that Trinidadian goods are competing with imports from countries where producers get concessions from governments.

"There is little else we can do," said one senior government official. "It is not something that the IMF wants and we have accepted. We see it as being necessary because we cannot go on spending more than we are earning. And we have to act now."

Trinidad and Tobago



Thatcher urges global responsibility

Peter Riddell reports on the UK Prime Minister's speech to the UN

MULTINATIONAL industry should not be blamed for the damage which is being done to the environment, Mrs Margaret Thatcher argued yesterday during her address to the United Nations General Assembly on the environment.

She said that, "far from being the villain, it is on them, the multinationals, that we rely to do the research and find the solutions."

"The multinationals have to take the long view. There will be no profit or satisfaction for anyone if pollution continues to destroy our planet." She said that industry was increasingly turning to environmentally safe products. "The market itself acts as a corrective: the new products sell and those which caused environmental damage are disappearing from the shelves."

In a wide-ranging 35-minute speech, she argued that as the conventional political dangers, such as the threat of war, appear to be receding, "we've all recently become aware of another insidious danger. It is the prospect of irretrievable damage to the atmosphere, to the oceans, to Earth itself."

The prospect of threats to the environment were, she said, "a new factor in human affairs. It is comparable in its implications to the discovery of how to split the atom. Indeed, its results could be even more far-reaching."

In discussing solutions, Mrs Thatcher defended "the use of nuclear power which – despite the attitude of so-called Greens – is the most environmentally safe form of energy."

She argued that the problem of global climate change could only be tackled at an international level and needed to involve both sound science and sound economics. In particular, she noted the British role in co-ordinating work on climate change.

Mrs Thatcher's one-day visit to New York caused hardly a stir locally. There was no mention in the local press and the sole attention was from British reporters. Indeed, so absorbed were the British media in catching a glimpse of Mrs Thatcher that tennis star Steffi Graf was able to wander around virtually unnoticed. Brief though the visit was, her presentational guru, Harvey Thomas, was in town to make sure everything worked. He was on the podium testing the special glass autocue just as he does each year at the Conservative Party conference. Everything went smoothly; Mrs Thatcher gave a lecture-style address then, after a brief lunch at the New York Times, she flew back to London. She will return to the US in two weeks to see President Bush.

She announced the establishment of a new Centre for the Prediction of Climate Change "to improve our prophetic capacity."

Mrs Thatcher said new institutions were not needed; instead existing ones such as the World Meteorological Organisation and the UN's environment programme should be strengthened and improved. She added that the most pressing task was to negotiate a framework convention on climate change, a sort of good conduct guide for all nations, which should be ready by the time of the World Conference on Environment and Develoment in 1992.

Such a framework should be filled out with specific undertakings which must be binding.

In a passing reference to this week's controversy over targets for emissions of carbon dioxide, she said measures must be based on firm scientific analysis.

Accordingly the UK was proposing to prolong the role of the Intergovernmental Panel of Climate Change after it submits its report next year, to assist in the agreement on targets to reduce the greenhouse gases.

Mrs Thatcher also called for a further global convention to conserve plant and animal life.

The Prime Minister detailed Britain's contribution in the areas of pollution control, a broad environmental agenda for the decade ahead (covering energy, transport, agriculture and industry), and an increase in research into global environmental problems. She concluded by saying to the assembled delegates that "we are the trustees of this planet, charged today with preserving life itself – preserving life with all its mystery and all its wonder."

Ortega sets deadline for the Contras

By Tim Coone in Managua

NICARAGUAN President Daniel Ortega warned yesterday that if the US-backed Contra rebels refuse to accept their demobilisation by Decemeber 5 a military option will be used to force them out of their Honduran sanctuaries.

A meeting begins today at the United Nations in New York, between the Nicaraguan government and Contra leaders with the mediation of UN representatives from the International Support and Verification Commission and the Nicaraguan archbishop Monsignor Obando y Bravo.

The Honduran government is sending an observer.

President Ortega called for the meeting after announcing last week the suspension of a 19-month ceasefire against the Contras.

He said that the Contras must adhere to the Central American peace plan which has set the December 5 time limit for their demobilisation.

If not, Mr Ortega said: "it will be up to Nicaragua and the Central American governments to use all the mechanisms and methods available" to remove them from Honduras.

"We shall insist that the outcome of this meeting must be the signing of an agreement for the demobilisation of the Contras," he said.

The Nicaraguan delegation has been instructed to "take the time necessary" to reach such an agreement if there is receptivity on the part of the Contras, he added.

UK NEWS

Nuclear industry to be excluded from power sale

By Max Wilkinson and Maurice Samuelson

THE Government has reversed its decision to privatise Britain's nuclear power industry.

The decision, taken by a committee of senior ministers, with the reluctant approval of the Prime Minister, will be put to the full Cabinet this morning for ratification.

Mr John Wakeham, the Energy Secretary, was last night preparing to make a statement to the House of Commons this afternoon on the assumption that the Cabinet will agree to a change which is likely to cause great political embarrassment.

The decision results from a near unanimous view from the industry and its advisers that National Power, the larger of the two generating companies which will emerge after privatisation, would be unsaleable if it had to carry the financial risks of a nuclear programme.

The Government decided in July to remove the small and ageing Magnox nuclear power stations from its electricity privatisation programme. This was announced by Mr Cecil Parkinson on the day he was re-shuffled from the energy department to the transport portfolio.

Partly in deference to the wishes of Mrs Thatcher, it was *agreed at that time to* leave the newer Advanced Gas-cooled reactors and the planned Pressurised Water Reactors in the privatisation scheme.

Since then the Central Electricity Generating Board has revealed that the cost of its first PWR at Sizewell, Suffolk is running £170m (10 per cent) over its budget. Estimates of the cost of re-processing fuel from the AGRs have risen so steeply in the last year that some financial advisers have said a prospectus for a company which owned them could not be written.

Mr Wakeham will tell the House that the nuclear assets including the PWR new being built will remain in a state owned national nuclear company, *perhaps to be headed by* Lord Marshall, the CEGB's chairman and designated chairman of National Power.

Lord Marshall's position was said in Whitehall last night to be "extremely difficult." He has been closely identified with the nuclear industry and a fierce supporter of the PWR programme.

One of the Government's arguments for making its U-turn on the nuclear sale will be that National Power failed to give it accurate information about the costs of existing and planned nuclear stations.

However, in a confidential memorandum to the department of energy last year, Mr John Baker, chief executive of National Power warned that the company might be unsaleable unless the Government were prepared to underwrite almost all the financial risks of nuclear power.

Since then the Government has proposed a nuclear levy of perhaps 15 per cent on electricity prices to subsidise the nuclear sector and has agreed to subsidse the de-commissioning cost. However, City advisers remained unhappy. Mainly because they do not believe future Governments could be committed to supporting nuclear plant.

This week, National Power has been discussing with PowerGen, the smaller generating company which will emerge from the present *Central* Electricity Generating Board, the possibility of its ceding one or two coal fired power stations to make the two companies more evenly matched. National Power was to be given 70 per cent of the nation's generating plant so that it would be strong enough to carry the nuclear risk. Without nuclear it will still be more than one an a half time the size of PowerGen, but the justification for such a disparity will have gone.

The two generating companies were also last night believed to be nearing agreement on a reduction in coal prices to discourage a surge of imports. British Coal is believed to be considering a price of about £1.60 pence per gigajoule *(a unit of heat)* compared with its current price of about £1.80 and the electricity industry's call for £1.30.

Troops on London streets as ambulance dispute continues

By Fiona Thompson and Jimmy Burns

TROOPS were on the streets of London last night as the eight week long ambulance dispute over a rejected 6.5 per cent pay offer reached stalemate.

Fifty-one ambulances from 40 Army and RAF units were making their way to police stations through the capital and were set to be sent out on calls from 11pm. A further 23 vehicles were being kept in reserve in the south east, the Ministry of Defence said.

It is the first time troops have been involved in an ambulance dispute since 1982. The issue will be discussed in an emergency three hour debate in the House of Commons today.

It is understood there is concern over the involvement of troops but the MoD said the security implications had been taken into account.

Mr Kenneth Clarke, the Health Secretary, said that he was bitterly disappointed that the troops had been deployed but he had not detected "any iota of change" in the position held by the unions.

The troops joined the Metropolitan Police, St John Ambulance and the Red Cross in answering accident and emergency calls after the suspension of 2,000 ambulance staff at London's 71 stations. The staff were suspended for refusing to work normally.

The five unions representing Britain's 22,500 ambulance staff are seeking an 11 per cent pay offer, to give them parity with firefighters. They also want a pay formula, similar to that enjoyed by the police and fire service, which would trigger automatic par rises.

The London staff stepped up the national overtime ban and ban on non-urgent work with additional work-to-rule restrictions.

Colonel David Whitfield, commander of Army medical services, said he was confident the troops could cope with a serious disaster.

Royal Artillery bandsmen and staff from the Royal Corps of Transport and the Womens Army Corps will drive the ambulances, accompanied by medics from the Royal Army Medical Corps and RAF medical technicians. A police officer, with knowledge of the capital's layout, will travel in each vehicle, maintaining direct radio contact via Scotland Yard, the London police headquarters.

The Metropolitan Police have 40 vans and 72 general purpose cars on standby. The vans are equipped with stretchers and each has a driver and a trained medic on board.

All emergency *requests* were going into the London Ambulance service control room where doctors on standby were prioritising calls. Calls were then put through to Scotland Yard which allocated them to either the police, the voluntary agencies or the troops.

Elsewhere in the UK, most accident and emergency services were operating normally.

NHS limits threaten drugs sector

By Peter Marsh

BRITAIN'S role as a world centre for the pharmaceutical industry could be seriously damaged by government proposals to limit rises in the National Health Service's drugs budget, says a study commissioned by Eli Lilly, a leading US drugs group.

The report says that as a result of these changes Britain's trade balance could lose up to £700m a year by the end of the 1990s.

It also says some 5,000 jobs could be lost as a result of drugs companies either pulling out of Britain or reducing their employment.

The medicines industry in the UK has an annual output *of about £4bn and employs* some 60,000 people. Unlike most other sectors of UK manufacturing, the business has a strong trade balance of some £850m a year.

The report, written by the Henley Centre, a consulting company, says there are particular worries in the drugs industry about the effects of the Government's policy paper on healthcare published earlier this year.

Efforts to place cash limits on the drugs prescribed by general practitioners could, says the document, eat into revenues of large drugs companies and lead these groups to cut back their investment in research and development. The NHS accounts for the lion's share *of* UK *consumption of* prescription pharmaceuticals, now running at about £2.2bn a year.

BA cabin staff threaten to take industrial action

By Michael Smith, Industrial correspondent

CABIN STAFF employed by British Airways at Heathrow Airport will next week consider taking industrial action over the company's treatment of a stewardess who was sacked for allegedly selling free drinks to passengers.

They will meet on Monday to discuss possible action after hearing that remarks made by Mr Peter Owen, BA director of operations, had persuaded Mrs Lynn Hooper to refuse reinstatement.

An industrial tribunal yesterday ordered BA to pay the legal costs incurred since September 7 by Mrs Hooper and the Transport and General Workers' Union (TGWU) in fighting the company's allegations and dismissal.

Under a settlement reached last Monday, Mrs Hooper was offered her job back with lost wages and an unblemished record or else compensation.

BA offered a basic award of £516 plus £8,925 compensation.

Mr David Griffith-Jones, Mrs Hooper's counsel, speaking at the tribunal said Mr Owen's remarks had changed her original decision to accept reinstatement. She planned legal action against BA for defamation.

Mr Griffith-Jones said Mr Owen's remarks "would have been judged as imputing theft to the applicant."

However, Mr Peter Clark for BA, said Mr Owen was misquoted in the interviews given after the deal was struck. Mr Clark said BA had never accused Mrs Hooper of theft.

Plan to curb stakes in TV

By Raymond Snoddy

THE LABOUR PARTY plans to seek ways of limiting shareholdings of European Community companies in British commercial broadcasting organisations.

One of the controversial aspects of the Government's new broadcasting bill is that EC companies will be able to bid for and own Independent Television franchises as long as they can pass a "quality threshold."

Mr Robin Corbett, Labour's broadcasting spokesman, said yesterday: "There is nothing to stop a French water company or a Belgian second-hand car dealer from bidding for one of the new franchises."

On Tuesday night Mr Corbett was reappointed Labour's broadcasting spokesman and will lead the party's attack on the Bill in the next session of Parliament.

"Providing they pay-roll a team of experienced television programme-makers to overcome the so-called 'quality threshold', if they put up enough cash they will get a franchise," Mr Corbett said.

Mr Corbett also emphasised that a future Labour Government would ask a revamped Monopolies Commission to look into concentration of ownership in the press.

Opposition backs full EMS entry

By Michael Cassell, Political Correspondent

FULL membership of the European Monetary System offered the only way of inhibiting uncontrollable international speculation in sterling, Mr Gordon Brown, the Labour spokesman on Trade and Industry Secretary, told fellow MPs yesterday.

Mr Brown, who until last week's reshuffle was a member of the party's Treasury team, was addressing a meeting of the parliamentary party called to discuss the opposition party's support for early entry into the exchange rate mechanism of the EMS.

Mr John Smith, the Labour party's chief economics spokesman who *has led Labour calls* for the Government to join before the next general election, says Labour would begin talks on full membership immediately on taking power. But he has declined to say how long he would expect successful negotiations to take.

There has been some criticism within the party about the lack of consultation over Labour's pro-EMS stance and several MPs remain totally opposed to any commitment for full membership.

Mr Brown, who rejected the arguments of some MPs against membership, said early entry was the only way to protect sterling in what were 24-hour, global money markets.

Opponents of the policy said *embracing the EMS meant* agreeing to eventual monetary union, rejected by Labour at its recent annual conference.

After the Clapham disaster inquiry

British Rail to face soaring safety costs

By Kevin Brown, Transport Correspondent

BRITISH RAIL'S bill for safety improvements demanded by the public inquiry into the Clapham disaster will run into hundreds of millions of pounds, it emerged yesterday.

Sir Robert Reid, BR chairman, met briefly yesterday with Mr Cecil Parkinson, the Transport Secretary, to discuss the cost of complying with the report, but no conclusions were reached.

Mr Parkinson has given BR three months to assess the implications of 93 recommendations made Sir Anthony Hidden, the barrister and inquiry chairman, which Sir Robert has said will be implemented *in full.*

The first big cost for BR will be in speeding up its programme to install an Automatic Train Protection (ATP) system throughout the network to prevent trains passing red signals.

After the Clapham accident, BR announced that it would install ATP on routes covering 80 per cent of passenger miles within 10 years – the inquiry report said BR must meet the target in five years.

The cost will be around £140m at current prices, or £380m for a system covering all routes used by passenger trains. BR could face difficulties in financing ATP because there is no prospect that it would meet the Government's requirement that investment projects achieve a real rate of return of 8 per cent.

This is because, even after the 35 deaths at Clapham, rail travel is still so much safer than road transport that avoiding accidents offers few financial savings.

BR could also face a large bill for replacement of around 1,000 Mark One coaches, the old fashioned slamming-door type used in all three trains which collided at Clapham.

The inquiry report instructed BR to complete a £1m research programme into the structural integrity of Mark One coaches by 1991. BR must then reach agreement with the Railway Inspectorate on changes to any coaches which would still be in use by 1999.

BR is slowly phasing out Mark One stock, but plans to have around 250 four-coach units still in operation in 1999, when they would be at least 36 years old, and close to their natural retirement age. The cost of replacing them earlier would be £575m at current prices.

Mr Parkinson told parliament on Tuesday that money would not be an obstacle to the implementation of any of the Hidden inquiry recommendations, but he gave no indication of whether the Government would provide the funds.

One possibility is that BR's external finance limit could be raised to allow it to raise the required funds. But this would weaken BR's balance sheet, further complicating the Government's plans to privatise the railway.

Ridley rejected plea, says Jaguar chairman

By Kevin Done, Motor Industry Correspondent

SIR John Egan, chairman and chief executive of Jaguar, revealed yesterday that he had made a last-minute plea to Mr Nicholas Ridley, Secretary of State for Trade and Industry, not to waive the Government's golden share in the company last week.

Mr Ridley refused to accept Sir John's request, however, and less than 24 hours later Ford, the US car manufacturer, launched its £1.6bn bid for the UK luxury car maker.

Jaguar shareholders will today receive the official offer document, which has been unanimously recommended by the company board.

Sir John yesterday gave MPs an account of the events surrounding his phone calls last week with Mr Ridley and expressed disappointment that the company had failed to remain independent.

He described how Jaguar had kept Mr Ridley and top officials in the Department of Trade and Industry (DTI) closely informed through meetings and phone calls during October about the progress of its negotiations with General Motors, the US car manufacturer and Ford's arch rival. He said Jaguar had warned the DTI that Ford was intending to bid for the company.

Mr Ridley was due to appear before a parliamentary committee today to explain why he had decided to waive the golden share without any prior consultation with Jaguar.

Despite bipartisan support for him to appear, a majority of Conservative committee members agreed to a request from Mr Ridley that the invitation be withdrawn.

Mr Ridley, in a letter to Mr Kenneth Warren MP, committee chairman, earlier this week, said that there was nothing he could "usefully say" that would "add to or otherwise illuminate" what he had told the House of Commons last week. His appearance before the committee could "risk damaging the environment" in which Jaguar shareholders had to decide on the Ford bid, he said.

The committee has agreed, however, to call Mr Ridley at a later date to explain the Government's policy on golden shares in privatised companies.

Mr Doug Henderson, Labour's shadow trade minister, yesterday challenged Mr Ridley to explain why he had ignored Sir John's request.

"Does he now admit that this failure to retain the golden share completely undermined the bargaining position of the Jaguar board in their negotiations with General Motors, Ford and other bidders?"

According to the offer document, Jaguar shareholders will be called to an extraordinary meeting on December 1 to vote on a special resolution to change Jaguar's articles of association. This move, which requires a 75 per cent vote in favour, will remove the present restriction limiting individual shareholders to a stake of no more than 15 per cent.

Amstrad to make faxes in Belfast

By Hugo Dixon

AMSTRAD, the consumer electronics company which has recently lost its reputation as a high-flyer, is to move manufacture of its new range of facsimile machines from Hong Kong to Belfast in Northern Ireland.

The manufacture and assembly of the machines will be carried out at the Monkstown factory of STC, the UK's second largest electronics group. Amstrad's Hong Kong factory is to close.

Amstrad hopes the machines, to sell at £600, will help establish the fax as a mass-market product in Europe. STC said it was expecting to make tens of thousands each year.

Amstrad's decision is part of its wider strategy of shifting production from the Far East to Europe to improve control over operations. Over the past year, the company's financial performance and reputation in the City has been hit by a series of blunders, some of which have been the result of insufficient control of its suppliers.

Amstrad originally subcontracted manufacture of its products to Far Eastern suppliers because it was cheaper than making them in Europe.

However, it said it would not pay more under its deal with STC than it had been spending on producing faxes in Hong Kong.

Bundespost drops phone opposition

By Hugo Dixon

THE BUNDESPOST in West Germany has been persuaded to drop its opposition to Britain's new personal communications networks, considerably increasing the chance that the mass-market mobile telephone system will eventually be adopted across Europe.

As a sign of its conversion to the concept of personal communications (PCN), the Bundespost has agreed to join one of the consortia in the hard-fought contest for licences. It has told Unitel – other members of which are STC of the UK, Thorn EMI of the UK and US West – that it intends to take a stake of up to 15 per cent in the group.

Only a few months ago, the Bundespost, Europe's largest telecommunications operator, joined France Telecom in opposing the idea of PCN – it believed there was little need for the new technology and was worried that Britain was seeking to impose its technical standards on the rest of Europe.

Now Mr Roland Mahler, head of the Bundespost's mobile operations, has said: "We feel PCN is a development we cannot neglect." He said West Germany would not need such a system in 1992, when the UK is planning to introduce it, but it might be needed in 1995.

Mr Mahler also made clear that the precise technical standards for PCN should be agreed on a European basis. "We would not like an English development that is put on the other European countries without them having a chance to participate in the standardisation process."

The recruitment of the Bundespost would seem to increase the chance that Unitel will be granted one of the three licences on offer because the Department of Trade and Industry is keen for the PCN to be adopted elsewhere in Europe.

Separately, Millicom, a specialist US mobile communications company which is also vying for a licence, announced that it was seeking to establish a PCN network in the US. Millicom's consortium includes British Aerospace, Pacific Telesis of the US, Matra of France and Sony of Japan.

Millicom has asked the Federal Communications Commission, which regulates the US industry, to set aside a same portion of the radio spectrum in the 1.7GHz-2.3GHz range. The FCC said it would probably be several months before it could make a decision on Millicom's application.

● New regulations liberalising the use of private telecommunications networks have come into effect, Mr Nicholas Ridley, the Trade and Industry Secretary, announced yesterday. The regulations also aim to prevent nuisance calls from telephone salespeople.

Building society offers merger bonus

By David Barchard

ABOUT 80,000 building society investors are to receive cash handouts averaging £520 under merger plans announced yesterday by Cheltenham & Gloucester, the eighth largest UK building society, and Guardian, the 19th ranking society.

The merger, which must be approved by members of both building societies is the first in which members of a smaller society have been offered cash payment from the reserves of their own society in return for their consent. Building societies, which specialise in home loans and savings, are mutual organisations owned by their depositors.

The payment will cost £54m, about 40 per cent of Guardian's reserves.

The deal sets a precedent for the industry which future mergers may find impossible to avoid, especially when a small society is absorbed by a larger one. Many small societies have reserves far above the levels legally required. These could now be vulnerable to approaches from larger societies, wooing members by offering to distribute part of their reserves.

Mr Andrew Longhurst, C & G's managing director, said yesterday that Guardian, the only society in the top 20 without a branch network, would become a separate division of C & G, developing and marketing postal investment operations and centralised mortgage lending under the Guardian brand name.

The acquisition will strengthen C & G's capital base and give it total assets of £7.3bn, making it the seventh largest society with 1.2m members.

Mr Longhurst said that the cash distributions were being made to harmonise the entitlement of members of the smaller societies, with their higher reserve ratios, to those of C & G after the merger.

Members of Guardian will get a bonus of 4 per cent of their balances. Borrowers, who are legally debarred from a cash handout, get a discount of 0.5 per cent on their mortgage interest rate for one year.

Savers with Bedford, a small building society the merger of which with C & G was announced in August, will receive 5 per cent of their balances. This is also about 40 per cent of the society's reserves.

It was widely assumed in the building society industry yesterday that the real purpose of the handouts is to match the incentives which would be offered to members of the societies if they had been taken over by a bank or insurer.

Mr Longhurst said yesterday that the merger reduced pressure on the society to shed mutual status, but that he would reconsider the option if C & G found itself unable to meet its market objectives.

BANK OF ENGLAND QUARTERLY BULLETIN

Free market 'favours London' as world financial centre

By David Barchard

LONDON handles about a fifth of the world's international banking business; has a turnover in foreign equities one and a half times that of New York and 10 times that of Tokyo; and it is probably home to three-quarters of the dollar Eurobond secondary market.

These are among the facts to emerge from a study of London as a financial centre, prepared by the Bank of England's International Division and published today in the Bank's Quarterly Bulletin.

The report says a wide range of factors favour London as a financial centre, ranging from its pool of trained labour and relatively free access to markets which are not heavily regulated, to more general features such as political stability, the legal structure and the English language.

Financial factors favouring London include declining levels of taxation, sophisticated financial instruments – such as the ability to issue bearer Eurobonds that pay interest gross – and the absence of exchange controls.

"In such an environment business can grow in a self-sustaining manner," the bulletin says.

But it warns that London faces growing competition with progressive deregulation and changes of rules elsewhere. Japan, Switzerland, France, Luxembourg and West Germany all look set to mount a challenge in some areas.

However, freer cross-border trade and capital flows should offer opportunities to the United Kingdom. London is already one of the lowest-cost suppliers of a wide range of financial services.

On securities, the Bank warns: "Orderly removal of excess capacity should be seen as a normal component of London's evolution."

Financial services are growing much more quickly than the rest of the economy – between 1985 and 1988 the sector grew by 59 per cent in nominal terms against only 24 per cent for the rest of the economy.

Employment in the sector has risen by over 900,000 since 1981 and it is making a growing contribution to the balance of payments.

The number of foreign banks in London is up from about 330 in 1975 to 521 at the end of February 1989.

London has the fourth-largest domestic equity market by capitalisation in the world and only the National Association of Securities Dealers Automated Quotations (Nasdaq), the US over-the-counter share market, has more companies listed.

Turnover in foreign equities in London at £40bn is nearly half the measured global foreign equity turnover. The UK's share of world domestic equity turnover, however, is a mere 5 per cent, reflecting the relatively small size of the British economy.

London remains the largest market for foreign exchange, although New York and Tokyo appear to be catching up.

London's share of the futures and options markets is still small at 7.5 per cent of the world total in the first half of 1989, but it has doubled since 1985.

In fund management, UK institutional investors had assets totalling £450bn. A substantial proportion came from other European countries and the European specialist sectors of major US and Japanese funds. In 1988, US pension fund foreign assets totalling £16bn were managed here – up from £9bn in 1985.

Company profits growth slows

By Simon Holberton, Economics Staff

THE GROWTH in UK company profits seen during the 1980s may be coming to an end, the Bank suggests.

In an article on the profitability of large UK companies, the Bank said that provisional figures indicated that the average rate of return on capital employed in the non-oil and gas sector in 1988, at 19.8 per cent, was much the same as in 1987.

"These findings suggest that 1988 may mark the end of the cyclical upswing in profitability which began in 1981/82, when the return on capital employed in the non-oil and gas sectors was 14 per cent," the Bank says.

The average rate of return on capital employed in the oil and gas sector fell to 14.6 per cent in 1988 from 16.1 per cent in 1987. The Bank said this reflected the continuing weakness in oil prices and disruptions to North Sea output.

In the capital goods sector every group showed an improvement in profitability last year with the exception of the metals and metal-forming industries. The Bank attributed the strength of capital goods profitability (20.3 per cent in 1988 against 19.1 per cent in 1987) to a strong rise in industrial investment.

On average, the profitability of the consumer goods industries declined last year to 18.6 per cent from 9.6 per cent in 1987. Within that, however, the rate of return on capital employed in the household goods sector, which includes pharmaceuticals, rose 1.9 percentage points to 32.6 per cent, higher than in any year since 1975.

The leisure sector and the textiles sector showed large falls in profitability. A 2.2 percentage point fall in the leisure sector's profitability to 12.9 per cent appeared to reflect offshore takeover activity and revaluation of fixed assets.

In the textiles sector, the return on capital fell to 19.2 per cent from from 22.7 per cent in 1987. This marked fall in profitability reflected acquisitions activity and a decline in competitiveness due to the strength of the pound.

The Bank's estimates were derived from a sample of 1,105 large companies. The sample for 1988 is about 25 per cent smaller than previous years and the Bank said its estimates should be seen as provisional.

UK NEWS

Congestion 'will force company moves to France'

By **Kevin Brown**, Transport Correspondent

CONGESTION is likely to force many UK companies to move to France in the next decade unless transport spending is increased by up to £3bn a year, the Confederation of British Industry said yesterday.

A report by the employers' organisation, Trade Routes to the Future, says a big investment programme is essential to overcome congestion and provide adequate links with the rest of the European Community after the advent of the single market in 1992.

The report will increase pressure on the Government to proceed with a number of road and rail schemes under consideration, notably in London.

Mr John Major, the Chancellor of the Exchequer, is expected to approve some of the projects in the next week's Autumn Statement on the Government's spending plans.

The CBI says Britain's transport system is hopelessly inadequate and will seriously disadvantage UK-based companies after 1992, when they will be attempting to compete from the periphery of the European economy.

It calls for radical changes in Government machinery for providing transport infrastructure, and in the "arthritic" planning system which "can result in a small number of determined individuals delaying schemes for years, if not decades."

The fragmented approach to infrastructure projects involves 10 Government departments and 128 highway authorities, as well as British Rail, the Civil Aviation Authority, London Regional Transport and BAA, formerly the British Airports Authority, the report says.

It adds: "The solution must lie in clear assignment of lead responsibility to the Department of Transport, whose Secretary of State should be answerable to parliament for developing a national strategic infrastructure programme for the UK as a whole.

The role of the Transport Department would be similar to the strategic roles played by the Transport Ministries in France, West Germany and The Netherlands.

Trade Routes to the Future; CBI, 103 New Oxford Street; £10 members, £30 non-members.

Rover group steers a clear drive for ethnic workers

Michael Smith, in the second of two articles on ethic recruitment, looks at a Midlands success story

Mr Abdulla Maflihi was unable to detect any overt racism when he trailed around the West Midlands 18 months ago looking for a place on the Government's Youth Training Scheme.

However, he is certain that the difficulties he experienced in finding a placement were prompted by prejudice.

"Employers seemed interested during interviews and they were certainly not hostile," says Mr Maflihi, a 17-year-old whose father comes from the Yemen. "But then they'd turn you down. . . they always went for the white applicants."

Mr Maflihi's search for a traineeship ended when he was interviewed by the Rover Group. "There they were very helpful. They made you relax and they seemed to want to know who you were. . . and they gave me a place."

Rover's receptiveness was no accident. It resulted from the carmaker's decision three years ago to cast its recruitment net wider to raise the number of trainees from ethnic minority backgrounds. The initiative has paid off handsomely.

In 1986 about 9 per cent of the 600 trainees the company took on to its graduate, apprentice and YTS schemes were black. Last year the figure reached 22 per cent and the improved recruitment policies resulting from the initiative meant that the number of applicants for the company's traineeships from all background rose for the first time in three years.

Rover's record reflects in part its involvement with a group of 10 companies, all of which are committed to employing a greater proportion of workers from ethnic minorities. Since the Ten Company Group got together, members have on average increased the proportion of blacks in their annual intake of trainees to more than 10 per cent from 4 per cent.

As employers all around the UK are looking for alternatives to their traditional recruitment sources, the success of the group – and that of others which have been set up subsequently – is attracting growing attention.

Formation of the Ten Company Group was, however, prompted long before personnel officers began to revise their policies before demographic trends which are resulting in a dearth of school-leavers.

In Rover's case, the roots of its recruitment revolution lay in a review of its equal opportunities policies in 1985.

Like most companies – then and now – it had no idea of the ethnic minority content of its workforce and so had no means of knowing whether it was discriminating, however unconsciously, against non-whites in its recruitment policies. When the statistics were compiled, two years later, they were revealing.

Just under 9 per cent of the workers were black and at the Birmingham Drews Lane plant, in the heart of an ethnic minority conurbation, the proportion was just 6 per cent. In Birmingham as a whole about 15 per cent of the population is black.

Part of the problem was that Rover had virtually stopped recruiting more than a decade previously. Since then the proportion of black people in the population had grown considerably. None the less, unintentional discrimination was continuing; the proportion of black people among Rover's annual trainee intake was also 9 per cent, even though 20 per cent of West Midlands school-leavers were black.

Mr Jim Wilder, Rover's administration manager, personnel, says the company's participation in the Ten Company Group has been vital in the subsequent improvement. Senior managers of The Ten, which includes J Sainsbury, the national food retail chain,Bromwich Catering, TSB Bank, the general banking group, and Lucas Industries, the automotive electrics company, have met regularly over the last two years to identify good practices and pass on their experiences.

It was after talks with the group that Rover realised that its reception of traineeship applicants was turning black people away. Previously the company had responded to applicants by sending them detailed – and, says Mr "turgid" – brochures. If Rover liked the look of the completed application form it would approach the applicant's school to check the details.

"A hell of a lot of people fell out," says Mr Wilder. "When we told Sainsburys and the Co-op about our methods, they laughed."

The problem with Rover's approach was that it assumed a confidence on the part of applicants both in themselves and in their schools. Rover now believes that black people tend to be less confident than whites. Many have had a less privileged education and some have problems with the English language. But that does not necessarily make them less employable.

Nowadays when teenagers approach Rover for traineeships, the company invites them in for a chat and asks them to fill in application forms which are considerably less complex than a few years ago.

The experience of Mr Zamir Ahmed, a 17-year-old taken on as a clerical trainee a year ago, is typical: "They gave you a chance to put over your thoughts, to say what you wanted from the work. Other companies always seemed to want to tell you what they wanted from you."

Talks within the Ten Company Group were also influential in persuading Rover to drop its insistence on applicants meeting specified academic standards. "If you were not in the top such and such per cent in mathematics we would not take you on as a an apprentice technician," says Mr Wilder. "Some of the other companies were asking why."

One result is that Rover now takes more than 30 YTS trainees a year and puts them on the same first year course as craft apprentices, even though they do not have the required qualifications. Those who keep up – normally about half – can transfer.

Rover's consultations with the other nine companies was accompanied by an increase in dialogue both with the communities where most of its factories are situated and with company employees. Whereas previously the company's factories had distributed literature about the company to schools in the immediate vicinity, they now forge links with schools all over the cities where they are located.

The significance of this is that most of the company's factories are located away from areas with large ethnic minority populations. In addition the company has encouraged its black trainees to give talks to prospective applicants in schools and community centres. Recruitment advertisements have been taken out in publications such as the Voice and the Caribbean Times which are aimed at black readers.

Among existing workers, Rover has concentrated on ensuring that everyone is aware of its equal opportunities policy and that managers, supervisors and union leaders are kept in touch with latest recruitment developments.

The company circulates detailed statistics on numbers of people who apply, are interviewed and given places, with each category broken down into racial and sexual groups.

Monitoring has been essential to the success, the company believes. "It means we know what is happening at every stage of the process and that we have results we can show to ourselves and to the community," says Mr Wilder.

BUSINESS LAW

New French rules covering tender offers

By William Lee

On July 1 1989 the French legislature adopted a new law on the "Security and Transparency of Financial Markets." The new law strengthens the investigative powers of the *Commission des Opérations de Bourse* (COB), the French equivalent of the US Securities and Exchange Commission, and prescribes new rules governing tender offers.

In addition, the French Ministry of the Economy amended the Stock Exchange Regulations and COB Regulations on September 28 1989 to, among other things, require that once a shareholder acquires more than 33.33 per cent of the voting shares of a company, it must increase its shareholding to at least 66.66 per cent of the voting shares pursuant to a tender offer. There are a number of exceptions to this rule.

Under the new law on the security and transparency of financial markets, the COB's investigators will be empowered, with the authorisation of a judge, to search premises, seize documents and sequester funds, securities or other intangibles.

The COB will be able to require funds to be placed in an escrow account and it will be able to investigate at the request of certain foreign public authorities, and communicate the results of its investigations to such authorities.

The law also strengthens the enforcement powers of the COB. It will have the authority to levy fines of up to FFr10m ($1.6m, £1m) or 10 times the profit realised, whichever is greater, *provided*, however, that the aggregate amount of fines levied by the COB and by the courts, in the event of judicial proceedings, does not exceed FFr10m or 10 times the profit realised. The COB will have power to order that activities in violation of its rules cease.

The Commission's governing body will expand from five to nine members. Eight of the board members will be nominated by various governmental and judicial bodies and the stock exchanges for a four-year term, renewable once. Only the chairman will be appointed directly by the government for a six-year, non-renewable term.

The rules governing tender offers make a number of changes to the disclosure of share ownership thresholds. Under existing law, any person with shareholdings exceeding or falling below the following per centage thresholds: 5, 10, 20, 33.33, or 50, must disclose holdings to the issuer within 15 days.

If the issuer is listed on a stock exchange, disclosure must also be made to the stock exchange authority, the Conseil des Bourses de Valeurs (CBV), within five days.

Under the new law, these disclosure requirements will only apply to issuers listed on a stock exchange. The new law also requires the disclosure of shareholdings exceeding or falling below 66.66 per cent.

The new rule changes prior law by requiring that voting rights (including double voting rights) be taken into account in calculating the statutory thresholds.

Shareholders who fail to make the required disclosure will lose their voting rights for a two-year period which will start only once the required disclosure has been made (the prior suspension period was three months). Voting rights may also be suspended in whole or in part for up to five years by the *Tribunal de Commerce* (Commercial Court).

Under existing law, the by-laws of a company may require that any person with shareholdings exceeding a certain threshold (as low as 0.5 per cent) must disclose such shareholding to the company. The new law provides that the by-laws of the company can require that voting rights be taken into account in calculating the thresholds.

The new law also provides that a target company may increase its share capital during the course of a tender offer, provided that:
(i) such increase has been expressly approved at a shareholders' meeting before the tender offer was launched,
(ii) the board's approval to effect such capital increase may not be valid for more than one year and
(iii) the decision to increase the share capital may not be made in favour of designated beneficiaries.

At the moment, shareholders' meetings following a tender offer are normally called by the Board of Directors. The new law permits shareholders who have acquired control of the company following a tender offer, to call a meeting of shareholders in the event that the Board refuses to do so.

Under the existing law, the right to vote shares of a company that are held by companies directly or indirectly under the control of such company cannot be exercised for the portion of such shares in excess of 10 per cent of the capital of the company. From July 1 1991, the new law cancels the voting rights for any and all shares of a company that are held by companies under its control.

The new law also provides that a chief executive officer of a company who learns of the launching of a tender offer or exchange offer must inform the company's employee representatives (comité d'entreprise).

The changes to the Stock Exchange Regulations require any bidder who launches an *Offre Public d'Achat* (OPA) or *Offre Public d'Echange* (OPE) on a listed company to bid for at least 66.66 per cent of the company's voting shares: shares that the bidder holds prior to the OPA/OPE are taken into account in the calculation of the 66.66 per cent threshold.

The regulations of the CBV require any shareholder (including shareholders acting in concert) who, following an acquisition of voting shares, comes to hold more than 33.33 per cent of a company's voting shares, to launch a tender offer to increase its shareholding of such company's voting shares to at least 66.66 per cent, failing which such shareholder will lose its voting rights in excess of such percentage.

In the event that a person acquires control of a company the main assets of which are shares representing more than 33.33 per cent of a listed company's voting shares, such a person will be required to launch a tender offer to increase its shareholding to at least 66.66 per cent of such listed company's voting shares, as described above.

Shareholders who already hold between a third and a half of the target company's voting shares may acquire less than 2 per cent over a 12 month period without complying with the new rule, except if they hold more than 50 per cent of the company's voting shares as a result.

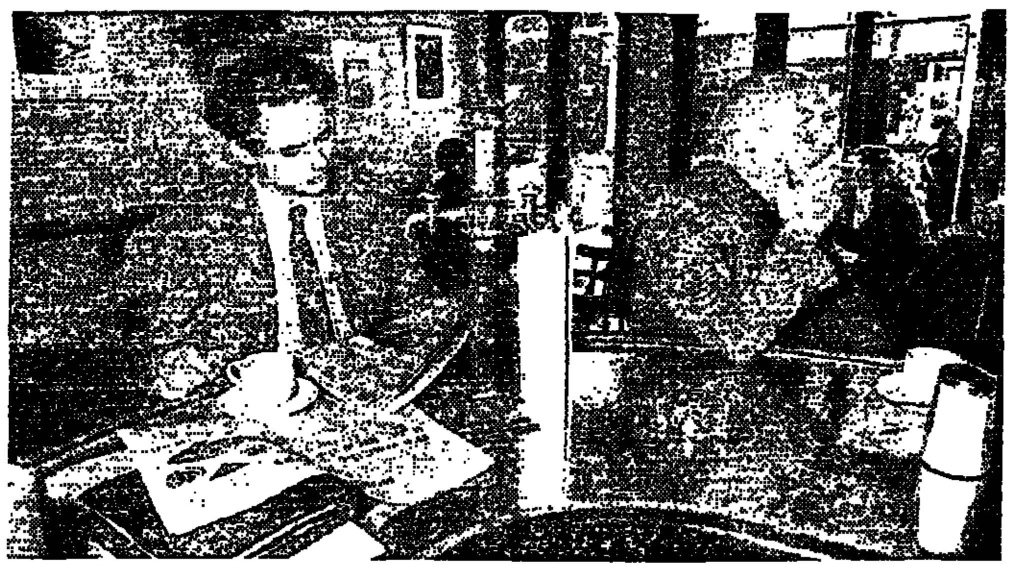
There are exemptions to the rule. The CBV may declare an acquiror exempt if:
(i) the voting shares are acquired through a merger and the holders of such voting shares have approved such a merger; or
(ii) the shares in excess of the 33.33 per cent threshold do not exceed 3 per cent and the acquiror thereof pledges to resell such shares within 18 months following the acquisition; or
(iii) the crossing of the 33.33 per cent threshold results from a reduction of the total number of outstanding voting shares; or
(iv) the acquiror already controlled the company prior to crossing the 33.33 per cent threshold; or
(v) the company is already under the control of a third party or parties acting in concert; or
(vi) voting shares are transferred within a group which already controls the company and such transfer does not substantially modify the holdings of such shares within the group; or
(vii) the acquiror acquires a controlling block of shares through the procedure of garantie de cours (i.e., undertakes to acquire all shares tendered during a 15-day period at the price of acquisition of the controlling block). The amendment also permits the delisting of the target company (OPA de retrait) through a simplified procedure and enables minority shareholders to cash out their shares under the following circumstances:
(i) Tender offers ordered by the CBV at the request of a minority shareholder or group of shareholders when 95 per cent of the voting shares of the company are held by another shareholder or group of shareholders acting in concert;
(ii) Tender offers launched by a shareholder holding at least 95 per cent of the voting shares of the company to be delisted;
(iii) Transformation of the target company into a *société en commandité par actions*; or
(iv) Tender offers ordered by the CBV in the event of a material change in the articles of incorporation, or activities of the target company, or the conditions under which shares of the target company may be transferred, or suppression of dividends during several fiscal years.

The author is the managing partner of the Paris office of US lawyers Shearman & Sterling.

Restaurant chains

Giving fashion an extended life-span

Andrew Bolger on the big UK leisure groups' use of 'branded catering'



The Dôme café bar in Hampstead: intended to be "the place to be"

A bearded artist spins out two cappuccinos for a couple of hours, enjoying the free newspapers and relaxed atmosphere of a fashionable café/bar in Hampstead. Can such a lingering low-spender be playing a part in one of the British catering industry's biggest success stories?

The answer lies in jargon terms such as "theme bars," "concept restaurants" and "branded catering," which have been a persistent feature of recent financial results from some of the UK's biggest leisure groups.

Britain's eating-out market has grown by more than 10 per cent every year for the past 10 years and is now worth nearly £13bn a year. But because of the even more rapid growth of fast-food outlets, the amount spent by an individual each time he or she eats out has actually fallen in real terms.

Rising rents and interest rates, combined with a consumer spending downturn, mean that catering has recently not been an easy sector in which to make money, as witnessed by the steady stream of restaurants being put up for sale.

The big groups are responding to these pressures by focusing on their most successful outlets; they are trying to identify the reasons for that success and apply them to other venues in a uniform manner while retaining the distinctive atmosphere of each type of restaurant.

It is in this unlikely context that our slow-spending bohemian comes in, according to Darrell Stocks, managing director of the licensed leisure division of Trusthouse Forte, the large UK hotel and restaurants group, which owns Dôme, a chain of European-style café/bars found mainly in the more fashionable areas of London. Started by an individual entrepreneur in the early 1980s, the Dôme concept was bought by the Imperial Group, and in 1986 THF acquired what had by then become a chain of four outlets.

Stocks says: "At the Dôme in Hampstead creative types – or at least people who look like artists or writers – will sit for a couple of hours, reading the newspapers and buying only the occasional coffee. We don't mind, because it draws in other customers who think that if people like that go there, it is the place to be."

Elusive considerations such as fashion, style and ambience loom large in any discussion of theme restaurants. Just how palpable in cash terms the attractions of such a venue can be was strikingly illustrated in the remarkable turnabout executed by Michael Guthrie, chairman and chief executive of Mecca Leisure.

During the company's £750m takeover battle last year for Pleasurama, Guthrie identified its Hard Rock Café chain as a possible candidate for early disposal. When it opened at Hyde Park Corner in London, in 1971, the Hard Rock Café's combination of American burger bar and pop memorabilia proved irresistible – particularly to young Americans visiting London. Three months after the opening, Newsweek ran a story asking "When will the queues stop?"

Guthrie admits that it was only when Mecca took over that he realised what a goldmine the café was. None of the major leisure groups will discuss profit margins on particular sites. However, some indication of Hard Rock's potential may be gauged from the fact that the cheapest burger costs £4.25. A rum cocktail called American Werewolf in London nips in at £3.50 and the bartender's most expensive special, Hard Rock Hurricane, costs a breathtaking £9.50.

Far from selling it, Mecca quickly decided to enlarge the café. Says Guthrie: "Even after nearly doubling the capacity in June, we still have queues outside. Practically every young American visiting London has the café on their list of things to visit. You can't buy that sort of pulling power."

The lure of such rewards has recently attracted a whole range of entrepreneurs into theme restaurants, offering everything from Spanish tapas with Flamenco singing and dancing, to Mexican food, complete with music and staff in ethnic costumes.

The fickleness of fashion means that such flamboyant outlets have little attraction for the big catering groups, according to John McDermott, marketing director of Mecca Leisure's catering and character hotels. "At that end of the market, you have to spend a lot on decor and then be prepared to change it every couple of years," he remarks.

Instead the big groups are developing "brand" outlets – restaurants and café/bars with distinctive identities and services, but which are sufficiently uniform that they can be replicated elsewhere.

Mecca Leisure's chosen route into this market has been to develop a chain of restaurants named after Sweeney Todd, the demon barber of Fleet Street whose customers had a tendency to end up in meat pies.

Having started with four Sweeney Todd outlets in March 1988, Mecca Leisure now has a chain of 20 and is on the lookout for more sites. Fortunately meat pies do not figure on the menu but practically everything else which appeals to the fast-food generation does – burgers, pizzas, spare ribs, dips and salads.

The restaurants are not particularly cheap – cocktails average £3, and one can even drink Moët et Chandon champagne at £17.50 a bottle. On the other hand, customers can easily eat and have a drink for less than £10 each.

The restaurants aim to be cheerful and, above all, non-intimidating. The jokey menu carefully explains the contents of each dish and is very clearly priced, with no hidden extras.

McDermott explains: "We do extensive market research to ensure that our menu is easily understood and that people will be able to work out in advance how much the meal will cost them."

For whatever reason, the Sweeny Todd recipe seems to be working. "We have a restaurant at London Bridge which is always filled with secretaries and junior office staff," says McDermott. "The City is full of places at which senior managers can eat expensive meals on expense accounts, but people forget that for every senior executive there are 20 other members of staff who also like a night out."

The first four Sweeny Todds were in Canterbury, Oxford, Cambridge and Bath. Apart from sites in and around London, Mecca Leisure has concentrated on similar university/county towns in the south and south-east of England.

Although keen to expand the chain, McDermott is not unhappy with its current geographical spread. He says: "Some people have a thing about being national – that only makes sense with national TV advertising, which we do not see as appropriate."

THF certainly agrees that television is not the most appropriate way of promoting its Dôme chain of café/bars – which, because of their pub licences, allow customers to have just a drink if they do not want a meal. THF goes for a more "subliminal" approach, encouraging art directors to use its venues as places in which to film advertisements and take fashion photographs.

Ideally, all Dôme customers should feel they have "discovered" the place for themselves. To that end, the THF connection is carefully concealed. The company rightly suspects that its trendy customers in Islington and Covent Garden might be less than thrilled to discover that their sophisticated local is owned by the chain which has given Britain the Little Chef and Happy Eater roadside restaurant chains.

THF acquired its first four Dômes in 1986 and now has 10, mainly in and around London, although both Bristol and Oxford have one. It plans to open another five in the next few months and is actively looking for new sites. Stocks says that the Dôme formula had in six months doubled turnover from four restaurants which THF gained in its acquisition of the Kennedy Brookes hotel and restaurant chain last year.

Stocks believes that Britain could eventually support as many as 100 Dôme outlets, if the brand is given sufficient backing by the THF board, although he stresses that sites are all important. "We have a Dôme in Windsor, but we would not put one in Slough high street, which is only a few miles away. You must not dilute the image."

A video a day keeps the doctor's screen on play

Philip Rawstorne on opportunities for medical advertisers

After BBC2 closes its public broadcasting each night, a signal from its transmitters triggers video recorders in the homes of some 4,500 doctors throughout the UK, and tunes them into the channel.

While the doctors sleep, the videos are "loaded" with a programme of medical news and features – information about new drugs, the latest clinical techniques, up-to-date research. Pictures and sound are encoded to ensure that any sensitive medical information remains confidential.

Another signal from the transmitter rewinds the tapes when the "narrowcast" is over and switches off the recorders, leaving them ready for the doctors to view at their convenience.

A flashing red light on the equipment which unscrambles the encrypted transmissions alerts doctors to any urgent messages, for example, from the Department of Health about an outbreak of food poisoning or an epidemic.

This is British Medical Television (BMTV) which claims to be the world's first direct television subscription service – and which promises to become an important advertising medium.

Its three major shareholders are Longman Group, the publisher and part of the Pearson Group, owner of the Financial Times; BBHQ, the investment arm of Baring Brothers, the merchant bank; and the BBC itself.

BMTV is now running a £500,000 direct response advertising campaign through MSW and Newbury Marketing to increase the number of its £90-a-year subscribers among the UK's 30,700 general practitioners.

The recruitment campaign – using advertisements and inserts in medical journals – is focusing on the doctor's need for rapid up-to-date information. The advertising points out that earlier this year, BMTV broadcast a warning from Scottish doctors on the dangers of listeria to pregnant women six days before the Government issued its own warning.

The campaign is being strongly supported by the Royal College of General Practitioners and the Royal Society of Medicine which welcome direct television as an "exceptional opportunity" to communicate with their members.

The medical establishment is co-operating in the production of some BMTV programmes – excerpts from RSM seminars and lectures, and educational courses from the RCGP – and in regulating the standards of output generally under a strict code of practice.

Duncan McAusland, BMTV's marketing director, expects half of the UK's doctors to be subscribing to the service by the end of the year. Once that "critical mass" has been achieved, he believes, BMTV will attract the advertising revenue it needs to become a profitable operation.

Kevin Bell, account director at MSW, says: "At the moment, doctors as a group are deluged with advertising and sales promotion of all kinds. One of the major problems for an advertiser is to find some way of standing out from the crowd; of attracting the doctor's attention to what he has to say."

BMTV not only offers advertisers opportunities for sponsorship, inserting information in datapages and for commercials, it also offers them the undivided attention of doctors, he claims.

Research among its present audience suggests, according to BMTV, that 96 per cent of doctors watch at least three programmes a week and 72 per cent watch every day; 76 per cent prefer it to reading medical journals, and 68 per cent think it more valuable.

Doctors are generally not the most avid of television viewers; McAusland is confident that such ratings will prove increasingly attractive not only to advertisers of pharmaceuticals and healthcare products but to a range of consumer manufacturers and professional and financial services.

The BBC believes this commercial use of broadcast "downtime" could prove to be a welcome source of considerable additional revenue for the corporation.

BBC Enterprises plans to launch a financial and business service on similar lines early next year, and is looking at other possible subscription programmes for both specialist and general audiences.

"We are convinced it is going to be an important new market area," says John Keeble, the director of business administration.

Solo sport for "greys"

SOLO sporting activities will increasingly be the name of the game in the 1990s with leisure-seekers forsaking participation in team sports, suggests a new marketing report.*

Mintel, the market analyst, believes that this shift away from competitive sports is the result of the demographic trend towards an ageing population. They are the ones who will have most leisure time in the next decade.

"Sports such as swimming, keep fit, tennis and walking – where the emphasis is less on speed and agility and more on stamina and fitness – will be more popular," suggests Siobhan Doran, the author of the report on the £2bn a year sports equipment market.

But paradoxically Mintel also sees some competitive sports doing well, especially with the "grey" consumer. Bowls, for example, is a growth sport, especially with the development of indoor bowling centres; golf is the largest individual sporting equipment sector (with annual sales last year of £174m) and is set to achieve steady rather than spectacular growth in the 1990s.

Mintel warns sports equipment marketers that their marketing strategies will have to be adjusted to the forecast decline in the youth market. Sports clothing and footwear companies will especially suffer, it points out, since part of their market at present comes from the fashion among the young to wear sports clothes for non-sporting leisure.

**Sports Equipment, Mintel, 18-19 Long Lane, London EC1. £165.*

David Churchill

LEGAL NOTICES

WARDLEY GLOBAL SELECTION

Societe d'Investissement a Capital Variable
7, rue du Marche-aux-Herbes
L-1728 Luxembourg

Notice is hereby given to Shareholders, that a

GENERAL MEETING

of Shareholders in WARDLEY GLOBAL SELECTION will be held at the Company's registered office at 7, rue du Marche-aux-Herbes, L-1728 Luxembourg, on Friday 24th November, 1989 at 11.00 a.m. for the purpose of considering the ordinary business of the Company and voting upon the following agenda:

1. Submission of the reports of the Board of Directors and of the independent Auditors;
2. Approval of the Financial Statements for the four month period ended 31st July 1989; and appropriation of the profits;
3. Discharge of the Directors and the Auditors;
4. Nomination and reappointment of the Directors and Auditors,
5. Miscellaneous.

The Shareholders are advised that no quorum is required for the items on the agenda of the General Meeting and that decisions will be taken on a simple majority of the shares present or represented at the meeting.

In order to attend the meeting of 24th November 1989, the owners of bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the Company or with the following banks:

- Banque Internationale a Luxembourg
  2, boulevard Royal
  L-2931 LUXEMBOURG
- The Hong Kong and Shanghai Banking Corporation
  1, Queens Road Central
  HONG KONG
- The British Bank of the Middle East, London
  Geneva Branch
  Rue du Rhone, 23
  CH-1024 GENEVA
- The Hong Kong and Shanghai Banking Corporation (C.I.) Ltd.
  P.O. Box 315
  HongKongBank Building
  Grenville Street
  St. Helier, Jersey
  CHANNEL ISLANDS

By Order of the Board of Directors

3rd November 1989

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS

We, C W Nield and R E C Cook, of Abacus Court, 6 Minshull Street, Manchester, M1 3ED were appointed joint administrative receivers of
WHITTLE INTERNATIONAL FREIGHT LIMITED
Registered No. 1266300
by National Westminster Bank PLC on 31 October 1989

Joint Administrative Receiver

CINEMA

Trimmed down portions of genius

NEW YORK STORIES
Martin Scorsese, Francis Coppola, Woody Allen

GREAT BALLS OF FIRE
Jim McBride

I'M GONNA GIT YOU SUCKA
Keenen Ivory Wayans

ROADHOUSE
Rowdy Herrington

ASYA'S HAPPINESS
Andrei Konchalovsky

What a cast. Martin Scorsese, Francis Coppola, Woody Allen. *New York Stories* attempts to plant the kiss of life on the anthology film: that once-fashionable form (see *Boccaccio 70, Rogopag, Paris Vu Par)* in which three or four different directors offer us trimmed-down portions of their genius.

The multi-story form has never quite caught on, probably because the only invariable in these episode films is the variable quality of the episodes. One story tends to be very good; another quite good; the third a wash-out.

New York Stories conforms to the pattern. But at least its best is brilliant. Martin Scorsese's "Life Lessons," scripted by Richard Price, is the show-stealer: a portrait of the artist (Nick Nolte) as ageing hell-raiser. Nolte pounds his New York attic studio like a paint-spattered beast while his live-in Beauty – pretty, sylph-slim assistant Rosanna Arquette – taunts him with her dreams of escape and of her own fulfilment as an artist.

The 45-minute tale whisks itself off to the odd party and discotheque, but its dramatic heart, audibly pumping, is in the artist's attic. Here Nolte assaults his Abstract Expressionist canvases; here all-sorts music (rock, Puccini) pounds away on a ghetto-blaster; here the bedroom is a sanctum for interludes of unrequited love (his) and teasing bids for emotional liberty (hers).

The movie is a variant on the ancestral collision between irresistible force and immovable object. Nolte, bearded, growling, Neanderthal, is both glorified and crucified by his own tyrannical compulsions, amatory and creative. Art, he insists to Arquette, "is not about talent but about 'no choice but to do it.'" Meanwhile Arquette has the brittle, brutal playfulness of the uncommitted.

It could have been a stagy chamber-drama: it becomes in Scorsese's hands pure cinema. His flair for giving unlikely subjects a kinetic poetry – pool-playing *(The Color Of Money)*, boxing *(Raging Bull)* – triumphs here. Magnified close-ups of brush-strokes swirl and whorl across the screen. And slow motion and double exposures turn Nolte's painting sessions into ballets of creative fever. Touching, funny, abrasive and explosively resolved, this may be Scorsese's most intensely realised film since *Taxi Driver*.

Coppola's middle story "Life Without Zoe" wins the wooden spoon. Scripted by Mr C with his 7-year-old-daughter Sofia (is there a legal age limit to nepotism?), this is the fey tale of a priceless jewel, a poor little rich girl and a whole lot of distinguished actors looking miserable (Talia Shire, Giancarlo Giannini). The Scherezade-like plot melts in the mind, and the sole consolation is Vittorio Storaro's dark, glittering, velvet-rich photography. (This man is fast becoming the Velasquez of the movie lens).

Woody Allen, whom we have all been imploring to make a funny film starring himself rather than a series of suicide notes starring other people, has at last, it seems, heard the message.

"Oedipus Wrecks" is funny – well, fairly funny – and stars himself as the mother-dominated hero. "You look terrible," "Eat your dessert," "Don't get married" screams the shrill, pudgy, incomparable Mae Questel as Ma. There is no cure for a Jewish mother except a miracle. And that is what happens: Allen loses her to a magician's sword trick. *But having disappeared without trace during said trick* – signalling several weeks' return to mental health by our hero and the finding of a new fiancee – mother comes back with (in all senses) a vengeance.

He who laughs first laughs longest. The early busybodyings of Ma Questel – vetting girlfriends or showing up at her son's office with a friend and loudly pointing out the staff ("That's Bates, the one with the mistress") – show Allen at his best, both as director and (praise be) as actor. Part horn-rimmed punchbag, part incredulous witness to behavioural disaster, this is the tragicomic hero of *Annie Hall* and *Zelig* rather than the Bergmanesque attitudiniser who made *September* and *Another Woman*.

Some later comic timing goes awry, and the pay-off could be stronger. But at least one hears oneself regularly laughing. The only sound in other Allen movies of late has been stony silence punctuated with the odd despairing snore.

★

"You can't wiggle around behind a piano!" someone tells Jerry Lee Lewis (Dennis Quaid) in *Great Balls Of Fire*. But soon the rock 'n' roll hero has begun to make millions doing just that. If Liberace is (or was) the Barbara Cartland of pianism, Lewis was (or still is) the Tom Wolfe: a dandy, innovator and pyrotechnician rolled into one.

The world would be a poorer place without him, but I doubt if anyone would sue for bankruptcy if deprived of this movie. Directed and co-written by Jim McBride *(The Big Easy)*, it homes in on two headline years in the rock star's life (1956-58), when the launch of his career was closely followed by a scandal that almost ended it. His marriage to his 13-year-old cousin Myra (here played by Winona Ryder) caused nationwide tut-tutting on his debut British tour and soon spread infamy across America.

Dennis Quaid plays Lewis with wild mimicry – pop eyes, quiff of blond hair, bird-like jabbings of the head – and attacks the ivories with a convincing display of insanity. But around this star turn all, or too much, is Toytown period pasticherie. Set-to-music sequences lampooning 1950s consumer culture (Myra prancing round a furniture shop spraying dollar notes) or pre-1950s Hollywood (a reunion scene in *Gone With The Wind* style) create a mortal coyness never shuffled off by the "serious" scenes. Add two terrible supporting performances – Alec Baldwin overacting as preacher Jimmy Swaggart, Peter Cook palely loitering over his lines as a muck-raking London newshound – and the movie ends up like a collection of spare parts reluctant to coalesce into a whole.

★

I'm Gonna Git You Sucka and *Roadhouse* are parodies, witting and unwitting respectively, of movie machismo. The first cocks a belated snook at 1960s-era "blaxpoitation" films *(Shaft* and company). Some longueurs but good jokes too: an imaginatively-shod dandy who wears goldfish bowls as lifts, an officially sponsored "annual youth gang competition" with prizes for the quickest car-stripping or smash-and-grab getaway. Keenen Ivory Wayans directs, writes and stars.

Patrick Swayze, last seen dedicating his limbs to Terpsichore in *Dirty Dancing*, devotes them to Mars in *Roadhouse*. Playing the best-paid "cooler" in the Midwest – a sort of super-bouncer hired to raise the tone in redneck bars – he shows that you do not have to be built like A. Schwarzenegger to grind troublesome patrons to pulp.

This long, violent, one-idea film is redeemed chiefly by its silliness. Hard to resist an indulgent giggle at the hero's insistence on his philosophy background (special interest, "Man's search for faith, and that kind of shit"): nor at the sight of bantam-size Ben Gazzara as the film's "Mr Big," who tries to give Swayze his final punch-uppance. Given such opposition, I might apply for work as a cooler myself. The going rate according to the film is $500 a day with $5000 expenses.

There was seldom any need to hire coolers in pre-Gorbachev Russia. Aided by censorship and Siberia, the Kremlin did all the cooling required. It buried under 20 years of permafrost, for instance, *Asya's Happiness*, made by Andrei Konchalovsky in 1967 before he left Mosfilm for Cannon Films and gave us *Runaway Train* and *Shy People*.

Now thawed out by glasnost, this picture of a peasant village turbulent with humanity combines the best of Konchalovsky with the more prevalent worst. Best: a delight in human nature that sometimes allows revelations of feeling to pour unfettered from the face and voice. Worst: a tendency to to dispense off-the-peg inspirationalism in excessive quantities (happy cavorting peasants, sunbursts through window-frames). Why the film was banned is a mystery, unless triteness was a censorable offence in 1960s Russia.

Nigel Andrews

Rosanna Arquette in Scorsese's "Life Lessons" from "New York Stories"

Steven Berkoff

Alastair Muir

Salomé

LYTTELTON THEATRE

Steven Berkoff's elegantly slow motion, minimally excessive production of Oscar Wilde's moonstruck idyll for the Gate Theatre of Dublin, which visited this year's Edinburgh Festival, was invited to the South Bank to plug half the postponed *Celestina* gap.

Since when, the entire Gate cast has been replaced by an ad hoc crowd led by Berkoff himself as the incestuously lascivious Herod. Whatever skulduggery has been committed, the result is an improvement beyond measure and a triumph of brilliantly sustained style over and in aid of a text so lushly arch and ridiculously ornate it makes Swinburne sound like Philip Larkin.

Berkoff's reading wraps the actors and their voices round the exchanges and sonic flights of adjectival pile-ups and clotted apostrophes to project a consistent vision of an exaggerated norm, only interrupted by Jokanaan's cage-rattling outbursts.

Herod's palace is a marble, wide-spread terrace under a scudding bloodshot sky inhabited by a 1920s gang of flappers and beaux, all in black and white, who serve as Jews, Nazarenes, guards and chorus.

It all looks the same as in Edinburgh. The design of Robert Ballagh is faithfully reproduced, as are the deliquescent, hauntingly atmospheric piano meanderings of Roger Doyle, this time played by Eleanor Alberga. But I'm further from the Strauss opera this time. And the chorus of eight, which includes dance specialist Imogen Claire and two notable young actors, Vincenza Ricotta and Jason Carter, is much more integrated into the proceedings, much more expressively mobilised.

This formidable, swivel-hipped phalanx cuts frieze-like postures, tangoes brightly around the cell, a simple square dark patch, chortles and keens to incisively held sound patterns, inhaling almost the invisible floating veils and stockings of the dancing Salomé.

As before, all the props, veils, swords and cigarette lighters are mimed. The display of sculptural gesture now receives the authentic Berkoff stamp, with his own Herod, a thuggish death's head, chasing vowels with two voices, a tight nasal wheedle and a gulping bellow. He enunciates whatever sound the word suggests. His slinkily erotic Herodias (too long time no see, Carmen Du Sautoy) colours the marital bust-up with crowing political overtones, while Katharine Schlesinger is a carnally experimental and finally tragic Salomé, and Rory Edwards a bleakly isolated and impassioned prophet.

The metronomic pace Berkoff inflicts on the lines cunningly allows for a vocal and physical ballet of rubato, colouring and hissing, glottal-stopping relish.

Just 20 more performances before Christmas.

Michael Coveney

August Pace

SADLER'S WELLS

The problems for viewers, new or old, with Merce Cunningham's choreography frequently have nothing to do with the dance or the dancers. These, serene or disquieting, clear or secretive, speak uncompromisingly to the eye, bringing their own rewards and intrigues.

The trouble has to do with the running interference provided by the sound-track for the dance, that arbitrary assemblage of noise or talk or radio static, or whatever, that is at best a background accompaniment and at worst a distraction. We are not so sophisticated, or so brutish, in the theatre that we can ignore or accept unrelated sound without enquiry. We seek meaning, or at least explanation, for what we listen to as we watch.

The experienced Cunningham observer can accept some of these "scores" as attractive, or necessary, or illuminating with certain creations. (I found this so with the accompaniment to *August Pace*, a work made this year which featured in the latest Cunningham programme on Tuesday night.)

But even the most devoted must surely have been vexed – because forced into overhearing and mishearing, and wanting at least to try and understand – a fragmented dialogue between two male voices that was the "music" (said the programme) for *Eleven*, also on view.

The words were clear enough and yet not clear enough to be an irritation, like faint conversation on a crossed telephone line. And since I do not think that an audience can be expected to ignore the spoken word, there must inevitably be a failure in our attention to what looked very elegant movement. Were the people seated behind us to have chattered throughout the piece, we should have objected. The chatter of Cunningham's two associates in the pit was given the immunity of performance, and was intrusive and exasperating.

Even so, *Eleven*, its men in paint-splotched trousers, its women in paint-splotched tops, had a clarity and spacious formal strength typical of Cunningham in the 1980s. Classical in its harmony, in its careful placing of movement and of that movement in space, it invites us to enjoy shapes and sequences of dance, making its score seem all the more meretricious thereby.

August Pace is a large company work for seven men and eight women. The numbers are significant only in that the men (in white), the women (in black), bear numbers on their backs, while the eighth woman is dressed half black, half white, and Sergei Bugaev's *faux-naif* back-drop comprises stencilled numbers with an object (a car, a fish, a rocket) placed against them. All this has nothing to do with anything: what matters is the series of entries and collaborations between the dancers, in duets and ensembles, that fill the stage with fascinating incident.

The score, and it is genuinely so, is by Michael Pugliese, combining faint drummings, string writing for Japanese instruments, and a wonderful susurration of stones inside enclosed tubes. The effects are satisfying to the ear – we are not being harassed by the musicians – and enhance the sense of other-worldliness that the piece proposes in its dances. I though it very fine.

Clement Crisp

Wolfgang Holzmair

WIGMORE HALL

Just when it seemed that the post-war giants of the recital platform might retire without any obvious successors in sight, a series of promising young singers has come to notice. From the German-speaking countries we have already seen the emergence of Bär and Protschka, Lorenz and Homberger, and to those names we can now add the Viennese-trained baritone Wolfgang Holzmair, who came to London for his recital debut on Tuesday.

Any fear that Holzmair might prove to be a weak post-script to so strong a declaration of new talent was swept aside with the opening song. The vocal punch that he brought to "Aus Heliopolis II," the first of an all-Schubert programme, announced authority from the opening bars. The voice is dark, interesting, sometimes grainy, with a forceful ring to it, and yet it can also change gear into a dulcet head tone as effective as that of Bär, the most fêted of his contemporaries.

Over the next few years it will be fascinating to see how the members of this "brat pack" of young Lieder singers mature. None as yet looks as deeply into the texts of his songs as a Schwarzkopf or a Fischer-Dieskau, but Holzmair at least has gone a long way towards exploring the full possibilities of his voice. In this recital his singing was always alive, risking sudden contrasts, trying out new tone colours in a way that was as rewarding as it was unpredictable.

It was certainly difficult to tell which songs would bring out the best in him. The calm of "Nacht und Träume" was well sustained and "Liebesbotschaften" had its narrative related vividly. But in some of the less obvious songs, such as "Sehnsucht," it seemed that the only way Holzmair could be certain of holding attention was to veer from one extreme to another, now very soft, now very loud – the latter encouraging his accompanist, Gérard Wyss, to play as though he was in the Albert Hall.

There is no need to make points as emphatically as he does in Schubert and Holzmair would do well to resist his pianist's lead. The quality to be cherished by this lively and positive young artist is refinement, though it is good to note that the best of his singing – a "Die Sterne" full of wonder, an amusing "Die Taubenpost" – suggests he may already have discovered that for himself.

Richard Fairman

The Vigil of Venus

FESTIVAL HALL

The Cornish composer George Lloyd, born in 1913, had a highly auspicious early career – first symphony written at the age of 19, second opera, *The Serf* successfully produced at Covent Garden at the age of 25 – but, severely shell-shocked during the war, he retired from the musical world for many years. His comeback dates from the late seventies, when his now numerous symphonies and piano concertos began to find a following amongst performers and listeners alike. Nine of his eleven symphonies have now been recorded, some of them twice.

At the Festival Hall on Tuesday night the choral and orchestral forces of Welsh National Opera made their South Bank debut (sponsored by South East Wales Financial Services) under Lloyd's own direction in the world première of an evening-length cantata which he wrote in 1979-80. *The Vigil of Venus* is a grandiloquent setting of an anonymous pagan poem *(Pervigilium Veneris* from the Latin Anthology. Lloyd was attracted to the poem's lush celebration of spring and its erotic pleasures, and endeavoured to produce an correspondingly opulent and enthusiastic score.

One was reminded by it of the idioms of a host of dead British composers from Vaughan Williams to Havergal Brian, briefly (in the scherzo third movement) of the Britten of the *Spring Symphony*. What the music really needed but had not found was the sustained burgeoning intensity of Tippett's *The Midsummer Marriage*. Too often the intended fervour merely resulted in stodgy textures and a paradoxically lugubrious effect. The harmony and orchestration are prevailingly coarse. For all its whipped-up frenzy, the music sounded thoroughly old-fashioned.

The better bits were those which favoured voices rather than instruments, for instance the sixth movement, scored for tenor solo and *a cappella* semi-chorus. But the succeeding orchestral scherzo made a nice use of bongos, while the eighth movement was definitely catchy. The young American soloists, soprano Carolyn James and tenor Thomas Booth, sang their hearts out.

Paul Driver

ARTS GUIDE

November 3-9

EXHIBITIONS

London

The Royal Academy. The Art of Photography 1839-1989: in celebration of the 150th anniversary of the first practical demonstrations of the medium, this large and impressive exhibition leads the visitor through the practical developments and aesthetic variations and experiments in the use of the medium, from the work of the earliest pioneers in France, England and Scotland, up to the present. Daily until December 23.

The Royal Academy. Gauguin and the School of Pont Aven – a fascinating study of the prints made in the 1880s and 1890s by the loose society of artists that came together at Pont Aven in Brittany, of which Gauguin was the leading but not necessarily, at the time, the outstanding figure. Daily until November 19.

Paris

Musée des Arts Decoratifs. Je suis le Cahier - Picasso's sketchbooks. After two years of meandering the world over, the exhibition ends, aptly, in Paris. The 40 sketchbooks covering a period of 64 years follow closely Picasso's development. 107, Rue de Rivoli (42603214), closed Tue. Ends December 31.

Grand Palais. Archaeology in France. The exhibition presents 30 years of discoveries with some 3,000 objects, beginning with the inevitable skulls and flint tools and ending with finds from the Louvre foundations. Late-closing Wed. Ends Dec 31 (42895410).

Musée des Arts Decoratifs. Bohemian glass 1400-1989. Some 200 exhibits, among them the famous ruby-coloured glass, show how – having freed themselves from Venetian influence – the glass-makers of Bohemia carried the art of cutting and engraving and painting to such perfection during the baroque period. 107, rue de Rivoli (42603214). Closed Tue, ends Jan 28.

The Louvre. Arabesques et Jardins de Paradis. The beauty and richness of nature is a leitmotiv which runs through Islamic art from Spain to India, from the 8th to the 18th century.234 exhibits, miniatures and manuscripts, textiles and ceramics show the unifying force of this inspiration which ranges from the decorative to the symbolic. Ends Jan 15 (40205317).

The Louvre and the Chateau de Versailles. David. A retrospective consisting of 84 paintings and 165 drawings is held simultaneously in the Louvre and in the Chateau de Versailles. It retraces the artistic development of the founder of neo-classicism who, cutting free from rococo's frivolities, preaches the Roman republic's rigorous virtues in The Oath of the Horatii and in The Lictors returning to Brutus the bodies of his sons. Louvre closed Tue, Chateau de Versailles closed Mon, both exhibitions end Feb 12.

Musée Rodin. A delightful 18th century townhouse – Hotel Biron – contains the life work of Auguste Rodin, whose powerful genius opened the way for modern sculpture. 77, rue de Varenne. Closed Tue.

Musée d'Orsay. The spectacular museum of the 19th century is situated opposite the Tuileries gardens within the metallic structure and the glass-roofed vault of the vast Belle Epoque railway station. 1, rue de Bellechasse (45494814). Closed Mon.

Galerie d'Art Saint Honore. Lucretia. Setting off the white androse-coloured body against a deep black background, Lucas Cranach the elder dares to paint at the beginning of the 16th century in Luther's town a disturbingly beautiful Lucretia. Closed Sat, Sun and lunchtimes. Ends Dec 15.

Martigny

Fondation Gianadda. A Henry Moore retrospective of some 50 sculptures, 80 drawings shown in rotation and 60 engravings is as impressive by the judicious selection of exhibits, as by the exceptional location for 12 of the monumental statues in a park with Alpine peaks as a backdrop. Ends Nov 19. (026-223978).

Brussels

Europalia Japan 89 has organised the largest festival of Japanese arts and culture outside Japan with performances and exhibitions across Belgium. Palais des Beaux-Arts.

Antwerp

Museum of Modern Art (Muhka) 32 Leuvenstraat. New tools - New Images: art and technology in Japan today with installations by Tatsuo Miyajima, Tsuneo Nakai. Ends Dec 3.

Madrid

Fundacion Juan March. Retrospective of Edward Hopper opens the autumn season at the foundation. 61 works by the New York realist covering a period of 56 years. Until Jan 4.

Palacio de Velazquez. Some 22 paintings and 20 drawings and engravings by Sean Scully, one of the most important figures in the new generation of abstract artists. Ends Nov 19. Closed Mon.

Barcelona

Fundacion Caja de Pensiones. International art. Exhibition of contemporary art from the museum's holdings acquired since 1985, including works by Forg, Huber, Mucha, Deacon, Kiefer, Polke, Cucchi and Merz.

Frankfurt

Kunstverein, am Markt 44. A "Prospect photography" to celebrate the 150th anniversary of the invention of photography with 130 works from around 30 photographers and artists. Ends Nov 26.

Munich

Städtische Galerie im Lehmbachhaus. The most complete retrospective of the expressionist painter Karl Schmidt-Rottluff to date with almost 370 works from 70 private and public collections.

Bonn

Stadtisches Kunstmuseum, Rathausgasse 7. Glanzlichter, 40 years of government support for art. Wolf Huber. Antoine Watteau, Heinrich Vogeler, Max Beckmann and Meissen porcelain are on display. Ends Nov 22.

Vienna

Museum for Applied Arts is hosting a large exhibition devoted to the works of Carlo Scarpa, the Italian artist and architect. The theme is focusing on "The Other city". Until Jan 15.

Rome

Palazzo dei Conservatori, Campidoglio. Giuseppe Ceracchi (1751-1801), Jacobin sculptor. The exhibition includes a touching eye-witness sketch of Ceracchi and co-conspirators in a plotto assassinate Napoleon standing at the foot of the steps to the guillotine. Until Nov 12.

Palazzo Venezia. Iriarte: ancient and modern in the IRI collection. The state holding group is showing for the first time some of its fine collection of sculpture, paintings and tapestries dating from the classical Roman period up to the present day. Ends Nov 30.

Milan

Castello Sforzesco. Unknown Treasures from the Moscow State History Museum. Over 500 pieces of applied art including gold and silver embroidery, lace, brocade, icons, jewellery and costume covering three centuries, chosen from from a collection of over 4m pieces. Ends Nov 22.

Mantua

Palazzo Te, Truttiere di Palazzo Te, Reggia Gonzaghesca. A vast exhibition devoted to Giulio Romano, Raphael's favourite pupil, who spent the last 20 years of his life in Mantua, producing masterpieces of architecture, painting, engraving and fresco. Ends November 12.

New York

Metropolitan Museum. A decade of fabulous shows borrowed from around the world culminates in the present exhibit of the major works of Velazquez, much of which is borrowed from the Prado in Madrid. Ends Jan 7.

Washington

Hirshhorn Museum. The first retrospective in America in a quarter century celebrates Francis Bacon's 80th birthday with a comprehensive review of his prolific career. The three-city US tour begins here with 60 works, a surprisingly large number of which are highlights of contemporary art. Ends Dec 7.

Chicago

Art Institute. Fixing the Shadow shadows the history of photography at its 150th anniversary. Of the millions of possible contributions, the exhibit focuses on 400 pieces by 300 photographers organised chronologically. Ends Nov 16.

Tokyo

National Museum of Modern Art. A Perspective on Contemporary Art: Colour and/or Monochrome. Paintings, prints and sculpture by 21 younger artists from Japan and elsewhere, selected to illustrate use or absence of colour.

SALEROOM

Contemporary records

Modern art is still the flavour of the year among the big money punters of New York. On Tuesday night Christie's sold 101 works of contemporary art for $62.3m (£39.5m) with only eight lots failing to find buyers. In all 26 artists recorded new auction highs for their work, including Lichtenstein, Dubuffet, Wesselmann, Julian Schnabel ($220,000) – and Gilbert & George ($165,000 for "Stepping," which shows the lads separated by a giant purple orchid).

Christie's had placed a high estimate of $47m on the sale and this was topped by $15m. There were Japanese in the room but most of the lots were bought anonymously, with the Fred Hoffman Gallery of California the most public buyer. A British artist, Francis Bacon, subject of a major retrospective in Washington, set the top price of $5.72m (£3.6m), for one of his studies for a Pope (it sold at Christie's in 1964 for 5,550 guineas). It was not quite a record for Bacon but the $5.5m. paid by dealer Thomas Ammann for pop artist Roy Lichtenstein's "Torpedo...Los!," a comic strip oil from his War series, certainly was.

The only disappointment was Jasper Johns, who holds the record for a contemporary painting – $17m set last year. He sold, but only within estimate. In contrast, Dubuffet's "Monsieur d'Hotel" more than doubled its forecast at a record $2.53m, while Robert Ryman did even better: "Summit," a blank white linen canvas held up by metal brackets, making a record $2.31m, as against a $850,000 top estimate. In all 13 lots beat $1m in Christie's most successful contemporary sale to date. Many of these paintings were produced and bought in the last few years, making the sellers more like dealers than collectors.

Sotheby's had one major setback in London when it sold modern British pictures: "Palm Beach" by Sir John Lavery was bought in at £112,000. This apart the market continued strong. The London dealer Bernard Jacobson paid £148,500 for "The Sabbath Breakers" by Stanley Spencer while "A Horse without a Rider" by Jack Butler Yeats was on target at £121,000.

Among the records were the £90,200 paid for "Blue Boat and Rainstorm" painted in 1954 by Peter Lanyon, and £74,800 for a view of Flask Walk in Hampstead in the rain by Camden Town School artist Charles Ginner. There was also a new high for Sir William Russell Flint, one of his unthreatening nudes making £47,300. A 1928 Lowry, "A Removal" went to the Crane Kalman Gallery of London for £85,800.

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The future of local taxes

THE THATCHER Government has devoted much effort to the reform of local government finance. One might have hoped, therefore, that the network of grants and taxes unveiled this week by Mr Chris Patten, the Environment Secretary, would represent a decisive improvement on the old arrangements. Alas, this is not the case. The reforms will undermine the accountability of local government in two ways: by sharply increasing the proportion of council revenue under Whitehall control; and by forcing councils to rely on an inefficient and inequitable form of taxation – the community charge or poll tax.

Under the old rules, local councils controlled both business and domestic rates. The two property taxes raised roughly half of their revenue, the remainder being made up of central grants. The Government has now assumed control of local business taxation, which will be levied at a uniform rate. The total sum raised will be distributed to councils in proportion to the number of community-charge paying adults. For councils, the business rate will be just another grant from Whitehall. The poll tax is now the sole form of local taxation and it will finance little more than a quarter of total local expenditure.

Important services

This is an extraordinary state of affairs. Local government is responsible for the delivery of many important services, including education, personal social services, public transport, police, fire and civil defence, and road maintenance. Many of these functions, such as community care for the elderly, are likely to become more important. Yet under present arrangements, if local people want to spend 5 per cent more than Mr Patten judges is correct, they will have to raise the poll tax by 20 per cent. Given the nature of the levy, the burden of any increase will fall disproportionately on the low paid.

The reforms will thus force local communities to abide much more closely to Whitehall spending edicts. On Monday, Mr Patten published a long formulae-ridden paper explaining how he intends to calculate what local communities ought to spend. Standard spending assessments (SSAs) are to be calculated for every component of local authority expenditure. These will reflect the "demographic, physical and social characteristics of each area." For example, in primary education civil servants will make adjustments for the differing numbers of children requiring free school milk. Councils which charge the recommended poll tax of £278, in effect, will be agreeing that a team of officials in London is capable of assessing their every need.

Enhancing autonomy

A Government which genuinely believed in choice, diversity and personal responsibility would not have a view about how much Bridgnorth in Shropshire should spend on street lighting. Instead of seeking ever-tighter control of local expenditure, it would be searching for ways of enhancing local autonomy. If councils are to become properly accountable to local communities for their spending decisions, it is essential that they raise a higher, rather than a lower, proportion of revenue locally. Central government can have no valid objection to high spending in some areas provided the tax burden is willingly borne locally. Indeed, the only way to avoid central planning of local expenditure is to ensure that local communities, so far as possible, finance their own expenditure.

The Layfield committee recognised this in the mid-1970s and argued the case for new sources of local revenue to supplement domestic rates, such as a local income tax. The Government has moved in the opposite direction by abolishing property taxes and imposing a levy which ignores the canons of fair taxation. Rebates for 9½m people and extraordinarily generous transitional protection will ensure that the full effects of recent changes are not felt for many years. But they cannot obscure the fact that this reform of local finance, far from addressing underlying problems, has exacerbated them. No form of government can flourish if it is denied fair and efficient means of raising revenue.

Conservation begins here

MRS Margaret Thatcher's imaginative address to the United Nations on the dangers of global warming is another welcome contribution to the debate she started in Britain just over a year ago. The Prime Minister has now fully established her credentials as a whole-hearted if lately arrived participant in the worldwide series of discussions on what to do about damage to the planet. She spoke to the essence of the matter when she pointed out that the main threat to the environment is more and more people, and their activities. The result is the prospect of "irretrievable damage to the atmosphere, to the oceans, to earth itself." Britain's Green Party could not ask for a better exposition of the reason for its existence.

Greenhouse effect

Characteristically, the Prime Minister gave the impression that Britain is in the vanguard of efforts to find solutions. Britain will co-ordinate the scientific assessment of the greenhouse effect being made by the International Panel on Climate Change, whose report is due next year. Three committees of this panel are chaired by Britain, the US and the Soviet Union; environmentalists question the weight given to large industrial nations. Britain, again, will establish a new centre for the prediction of climate change – but, apart from that, Mrs Thatcher told her UN audience that other new institutions are not needed. So much for recent French-led efforts, supported by 24 heads of state, to establish a new UN agency empowered to impose sanctions on governments that do not reduce emissions.

The Prime Minister is not, however, always alone on the international stage. Britain was supported by the US, Japan and the Soviet Union at a 72-nation conference in the Netherlands this week. The four industrial powers, which between them account for half the world's emissions of carbon dioxide, blocked a proposed freeze on emissions by the year 2000 and a reduction by the year 2005. The pledge was maintained, but implementation is to be "as soon as possible." This is reasonable enough if the delay is merely to await the report of the International Panel on Climate Change; it will be seen as simply destructive if the assessment made by that panel is influenced by political pressures.

Stronger credentials

In this as in other environmental matters Britain's credentials will be strengthened if the Government produces a strategy for environmental protection on a scale that matches that of, say, the Netherlands or West Germany. Mrs Thatcher told her UN audience yesterday that over the coming year Britain will be drawing up its environmental agenda for the decade ahead, covering energy, transport, agriculture and industry. If this is to be credible it will have to involve serious changes in the outlook of the responsible government departments. The Prime Minister's menu lists present policies, but the attractions of the soon-to-be privatised electricity industry may be reduced by the need to impose environmental protection; likewise transport policy still favours the private car, a big contributor to the greenhouse effect.

The truth is that the British Prime Minister's public conversion to the environmental cause came during her tenth year of office, while that of the Government as a whole has yet to be completed. Mrs Thatcher remains out of tune with deepening green opinion on the relatively minor issue of nuclear power, which she probably rightly asserts is relatively clean, and the fundamental issue of economic growth, which she maintains is required to pay for the protection of the environment.

Many environmentalists are coming round to the view that only slower or non-industrial growth will reduce the emission of noxious gases. It would be very difficult for the leader of a party committed to increasing affluence to accept this, however forceful the arguments may turn out to be. Yet the logic of her assertion that "it is life itself that we must battle to preserve" on this planet is that she should be asking the unthinkable questions about the nature and extent of economic growth.

George Graham examines a wave of acquisitions by French companies

Time to take the war to the enemy

Seven years ago, in Mr François Mitterrand's first term of office as President of France, one of the most striking symbols of the country's industrial strategy was the "battle of Poitiers," a determined attempt to stem imports of Japanese video-recorders by making them obtain customs clearance in this small town in western France, where 1,250 years earlier Charles Martel had driven back the Moorish invasion.

Now, in President Mitterrand's second term, the image has changed radically: rather than fighting off the invader, French businesses have gone on the offensive, shaking off a shroud of insularity and embarking on a costly series of foreign purchases.

With few exceptions, private and public sector companies alike have adopted a strategy of growth by acquisition. The last few weeks alone have offered examples ranging from the chemicals industry, where state-owned Orkem has bought the Bostik glue company for $345m and is bidding for the 60 per cent it does not yet own in Coates Brothers, the UK inks group, to banking, with Banque Indosuez's planned purchase of a 24.8 per cent stake in Morgan Grenfell, the London merchant bank.

Going back a little further, French companies have been involved in some of the largest deals of the last 12 months: aluminium producer Pechiney's purchase of American National Can in the US, BSN's acquisition of three biscuit companies from RJR Nabisco; and in the insurance sector, Victoire's purchase of the number two West German insurer, Colonia/Nordstern, and AXA's participation in Sir James Goldsmith's Hoylake company with the aim of winning Farmers in the US.

Overall, French companies made 157 foreign acquisitions worth FFr 65bn in the first half of this year, up nearly 40 per cent in value from the same period of 1988, according to PF Publications, a specialist mergers monitor.

France is, of course, not alone in this new appetite for growth by acquisition. The decline in share prices after the 1987 stock market crash triggered a wave of bids around the world, while a number of industries have entered a period of ferment and changing ownership.

Indeed, France has at the same time become a more attractive target for inward investment, especially in the financial sector, where Europe's largest groups are preparing for the open-

French companies have made 157 foreign acquisitions worth FFr 65bn in the first half of this year

ing up of a single internal market – like Dresdner Bank, which is to take control of France's Banque Internationale de Placement, or Allianz, buying 50 per cent of the Via insurance businesses from Navigation Mixte.

There has, however, been something unusually single-minded in the determination of French companies to expand abroad. This determination is driven by a widespread feeling that their country has fallen behind its main competitors, and must catch up – especially in the face of the European single market, a prospect which in France is viewed largely in terms of a competition with the rest of the European Community.

"Europe, for most politicians, is the 12 nations' tournament; Asterix's team must win," comment Mr Jean-Marie Colombani and Mr Jean-Yves Lhomeau in their recent book Les Héritiers.

For businessmen, the determination to catch up takes on different aspects. Mr Claude Bébéar, chairman of the fast-growing AXA-Midi insurance group, talks in terms of critical mass, of the need to reach a size where his company will not simply be trodden underfoot by the giants of Japan or the US.

His preoccupation is widely shared. A survey of 300 large and medium-sized French industrial and services companies conducted by Bain & Co, the management consultancy, for the Industry Ministry showed that size was the number one strategic objective, favoured by 38 per cent of the sample, ahead of return on capital. Size is an even more dominant concern for the companies Bain categorises as "champions," leaders in their markets.

For Mr Antoine Riboud, head of the BSN foods group, the target is to attain more first or second place positions in each specific market segment in which his company is present, be it yoghurt, beer or noodles.

Market share has, in fact, become over the past year or two one of the dominant strands in French business strategy, and with the European single market lurking only three years ahead at the end of 1992, market share has to be bought in – time is too short for home-grown expansion.

The Bain France 300 survey shows acquisitions and mergers are the main investment priority of leading French companies, ahead of research and development, productive investment and commercial investment. The companies questioned estimate that acquisitions accounted for two thirds of their real growth between 1985 and 1988. Between 1988 and 1992, they expect acquisitions to account for three quarters of their growth – and 70 per cent of these acquisitions to be outside France.

One of the few sectors where market share is not the dominant consideration is banking. Most French banks view it as impossible to attempt universal banking outside their home market, though some have, nevertheless, set about building substantial branch networks throughout Europe – notably Crédit Lyonnais, which has taken control of Credito Bergamasco in Italy and of commercial banks in Belgium and the Netherlands.

But the move towards the opening up of financial services within the EC has given all of them the same incentive to expand abroad, mostly in specific niches, like Société Générale with its acquisition of the UK fund manager Touche Remnant.

There are objective grounds for France's feeling that it had been left behind. As the Trade Ministry notes, in a report entitled Where is French Competitiveness?, France's share in the foreign investments of the industrialised world is a third lower than its share in world exports; and while French companies had 1,017 subsidiaries in West Germany, West German companies had twice as many in France.

And while the average turnover of the top 250 companies in West Germany was around $2.2bn in 1987, in France the figure stood at only $1.3bn.

One of the reasons for this lag was the effect of exchange controls: these have been progressively dismantled since 1985, but in the past the requirement for investment currency added around 25 per cent to the cost of buying a company outside France.

This extra cost was one that French companies could ill afford, for their financial situation was for some years considerably worse than that of their foreign competitors. Where corporate debt to equity ratios in West Germany peaked in 1981, after the second oil shock, at 52.1 per cent, French companies continued to become more heavily indebted up to 1984, reaching a high point of 62.6 per cent. It was not until 1985, and more strongly 1986 and 1987, that companies' financial situations started to improve, partly as a result of higher profit margins but also because of increased access to equity capital, as they sought stock market flotations or carried out rights issues.

In 1986 and 1987, as financial health returned, the main preoccupation of French managers was to reduce their debt levels, a preoccupation repeated by ministers and government economists who shared their concern at the overborrowing of the corporate sector.

More recently, however, as profit margins have continued to improve, debt has come back into favour; it has come to be recognised as an important element in a growth strategy.

Added to these financial considerations was a pent-up movement from the companies privatised under the right wing Chirac government between 1986 and 1988.

"In our years as a nationalised company, we could not buy anything because the Right would howl; and we could not sell anything because the Left would howl. Now there is naturally some redrawing of the boundaries," commented the managing director of one privatised group.

This has been the case for the big privatised banking and investment groups like Suez and Paribas, but also for industrial and services groups like Compagnie Générale d'Electricité (CGE), Matra and Havas. It is more than accident that the two largest takeover bids ever to take place on the French stock exchange, both launched in the last four months, have involved Suez, with its FFr 27.4bn acquisition of the Victoire insurance group, and Paribas, with its current bid valuing Compagnie de Navigation Mixte at FFr 25.6bn.

Most striking of all, however, is the hectic activity of the companies which have remained in the state sector, despite the apparently rigid dogma known in French as the "ni . . . ni . . ." – neither privatisation nor nationalisation – imposed by President François Mitterrand on his re-election in May 1988.

The "ni . . . ni . . ." doctrine is scrupulously applied, to the point of absurdity, at the level of state-owned parent companies. This has caused difficulties for groups in need of fresh capital, for the state is neither willing to inject its own funds nor ready to authorise fund raising through equity sales in the market.

One result has been the issue of a number of ingenious equity substitutes, known collectively as "Canada Dry" securities: having the same colour and fizz as a whisky and soda but none of the kick. Mr Roger Fauroux, the Industry Minister, is one who finds them less than wholly satisfactory, but they have at least permitted groups like Rhone-Poulenc to finance their acquisitions.

Another has been the series of artificial operations between state groups intended to allow them to boost their capital without making the state dip into its own pocket. Deals like the share swap between Union des Assurances de Paris (UAP), the largest French insurance group, and Banque Nationale de Paris (BNP), the principal nationalised bank, in fact do little for either group's real capital strength, since the shares exchanged cancel each other out. On the strategy side, however, BNP and UAP give the impression of really believing in the potential synergy between banking and insurance.

The more recent deal which will leave Thomson, the electronics group, with a stake of 14 per cent in Crédit Lyonnais, the second largest state-owned bank, may have a more solid impact on Crédit Lyonnais's capital base; but on the strategic aspects of the link, both groups have remained wholly unconvincing.

Further down from the main parent companies, on the other hand, the "ni . . . ni . . ." rule has not hampered the state sector. Sales of unwanted subsidiaries, and, especially, purchases of foreign businesses, have come thick and fast, in a manner that would have been difficult during the Giscard Presidency in the 1970s. It would have been equally difficult during the liberal Chirac administration of 1986-88 – not on ideological grounds, but because of that Government's preoccupation with privatising as many companies as possible as quickly as possible.

The outcome has been a *de facto* flexibility in the boundaries of the state sector almost unprecedented since the Second World War, leaving nationalised companies almost as free as their private sector counterparts to expand, and in particular, to expand abroad.

The movement does not appear to be close to its end. Any mergers and acquisitions specialist in Paris can show a long string of buy mandates, and the acquisitive appetites of the country's major companies are still far from sated.

The battle of Poitiers is over, and corporate France is now taking the war to the enemy.

ACQUISITIONS & MERGERS

INDUSTRIAL

BSN
June 1989. Bought five European businesses from RJR Nabisco for $2.5bn
June 1989. Acquired Henninger Hellas, a Greek brewery, for an undisclosed sum
July 1989. Bought Galbani, an Italian cheese maker, jointly with Italy's Ifil for £1bn
October 1989. Agreed to take control of Birkel, a West German noodle maker

Orkem
November 1989. Agreed £301m bid for Coates Brothers, the UK inks group
October 1989. Bought Bostik, an adhesives group, for $345m

Rhone Poulenc
September 1989. Bought RTZ Chemicals for $823.5m
September 1989. Bought GAF-SSC (US) for $480m
Institut Merieux, a subsidiary of Rhone Poulenc, is bidding $800.63m for Connaught BioSciences of Canada, a vaccine company

Thomson CSF
October 1989. Declared intention to bid with British Aerospace for Ferranti
August 1989. Agreed to buy most of Philips' defence interests

Michelin
June 1989. Acquired National Tyre Service from BTR for £140m
September 1989. Agreed bid for Uniroyal Goodrich tyre company for $1.5bn

Societe Nationale Elf Acquitaine
July 1989. Bought Penwalt Corporation, a US chemical company, for $1.05bn

FINANCIAL SECTOR

Credit Lyonnais
July 1989. Bought a 48 per cent stake in Italy's Credito Bergamasco for FFr2.6bn. Has spent heavily building up its retail banking networks in Belgium and the Netherlands
November 1989. Agreed to buy control of Thomson CSF's finance division in a FFr5bn share swap

Compagnie Financiere de Suez
September 1989. Acquired Victoire insurance group for FFr27.4bn in France's largest takeover
October 1989. Banque Indosuez, the banking arm of Compagnie Financiere, bought a 20.4 per cent stake in Morgan Grenfell from Willis Faber for £137.4m, and agreed to buy a further 4.4 per cent

Credit Agricole
About to take 13.3 per cent stake in Nuovo Banco Ambrosiano (NBA) for Lire 283bn. NBA is now set to became Italy's largest private bank after its merger with Banca Cattolica del Veneto

Axa Midi
August 1989. Agreed with Hoylake (currently bidding for BAT Industries) to acquire Farmers Group for $4.5bn if the bid succeeds

Compagnie Financiere de Paribas
October to November 1989. Bidding for 100 per cent of Compagnie de Navigation Mixte valuing Mixte at FFr25.6bn

OBSERVER

Farewell to the Fleet

■ Admiral Sir John Woodward, the man who took the British fleet to the Falklands, has left the Navy early to become a management adviser. Better known as "Sandy" Woodward, he has become a director of a newish company called Axiom Advisors Ltd and will work for it on a project basis.

Not that he has nothing else to do. Woodward is writing a book about the Falklands – he is honest enough to admit that it is being ghosted. There may also be a television programme next year which will be a reconstruction in serialised form of the Falklands events as they happened – from the invasion in April to the recapture in May. It depends partly on securing the co-operation of many of the people involved, Argentines and Americans as well as the British. "Al Haig (the then US Secretary of State) charges $20,000 for an interview," Woodward says.

What was his most vivid memory of the campaign? "The funny little room I lived in – my office, 9ft by 9ft, with a bed in it and a desk, and 9ft high as well, and a little room next door, 4ft by 4ft, with a shower and a loo and one window." That was his base on HMS Hermes, the centre of the communications system.

The biggest danger, Woodward said, was not so much the Argentine forces, though if they had attacked the British Harriers, the outcome might have been different; nor was it the Argentine submarine lurking in the waters, and never spotted by the British. It was of internal fires on the British ships because they were going at such a rate.

Woodward kept a diary. "People do that when they're under stress and have no confidants," he said. "It's the safety valve." Much of the book will be about the state of his mind at the time.

He says that he had no sense of elation when the campaign was over. "You spend your life being trained to fight a war, but you know that the military is about deterrence. If you have to fight, you're glad to have done it, but I still wish I hadn't."

Woodward left the Navy last month at the age of 57. He was not going to be First Sea Lord – there is no bitterness about this – and did not want the senior job he was offered in the military organisation of Nato. "I found I was not using my brain as much as I would have liked," he said yesterday.

After the campaign, he was invited to a lot of City lunches. He says he "did the Falklands bit" for about three years, but was becoming pretty bored with it. His mind was switching to management theory and how to apply the principles of war to business.

The turning point came at a lunch which Woodward addressed at the Savoy last January. He was heard by a man called Giblin, who was in the throes of setting up a new company.

Giblin's coup

■ Peter Giblin is a well-educated American lawyer with considerable experience of Europe. He speaks French and Spanish. He helped Russell Reynolds establish a European presence in the business of management evaluation. He was later a managing director of Samuel Montagu.

Giblin was impressed by Woodward, who had already decided to leave the Navy. He approached him, and Woodward agreed to join Axiom, which has now been going for about six months, based in London. Giblin is chairman and chief executive; the co-founder is another American, William Flynn, who specialised in international tax questions at Ernst & Whinney.

"Brilliant, unassailable, incomprehensible - curious references aren't they, Mr Lawson?"

Axiom is a small firm and intends to remain so. It is backed by a mixture of bank loans and the private capital of the partners. A key concern is mergers and acquisitions, and guiding companies through the management changes which those involve.

"We're a rather unusual collection of people," Giblin said yesterday. One aim is to help companies that are begining to go for growth. In the big M&A contests, Axiom might slot in along side one of the giants, like Goldman Sachs, and play a specialised role.

There is a couple of projects singled out for Woodward, who insists that he is on six months trial. Giblin says that he is too modest. "The Admiral is going through a transition period in his career," he adds. The projects have nothing to do with defence.

Cheap Hurd

■ The Smile on the Face of the Tiger, the novel about Hong Kong by Douglas Hurd, has re-appeared in the Colony's bookshops. People are lapping it up to try to discover how the new Foreign Secretary will deal with Peking on their behalf. Hurd and the co-author, Andrew Osmond, might be a bit concerned about the lack of royalties, however. The paperback edition of a decade ago is being sold at its original price of £1.10.

Small change

■ The British currency is shrinking. Next year a new tiny 5p coin goes into circulation, to be followed in 1992 by a slimmed down 10p. The coin dealer, Richard Lobel, who runs Coincraft in Great Russell Street by the British Museum, has got hold of a set of the coins and is displaying them in his window until the end of January.

The 5p is very small indeed, about the size of the short-lived decimal ½p, although it keeps its cupro-nickel gloss. The 10p shrinks to the size of the current 5p.

The coins were bought from another dealer for £300, probably as a result of a leak in the vending machine business – the Treasury allows a few coins out for testing, which is essential in case the coins don't take to the machines. The other problem is assuring that they do not replicate the weight and size of any foreign coin. Technically, this is known as finding the right slot. It is an extremely difficult task and can take years to complete.

Lobel thinks that the appearance of the coins will cause a national outcry and likens them to the brass threepenny bit of Edward VIII.

Keeping up

■ From the current issue of the magazine for past pupils of Cheltenham Ladies' College: "... has retired from soliciting for the third time, but is active in every sense."

Bridget Bloom reports on how the pressures for more housing in rural England affect one East Anglian town

Development comes to Aldeburgh

The bulldozers are out in Aldeburgh – snout-nosed earthmovers bullying their way through the yellowing meadows of what was once Church Farm to build 240 new houses.

Several hundred citizens of the pretty Suffolk coastal town, world-famous as the home of Benjamin Britten and Peter Pears and the yearly music festival they founded, are deeply upset. "We feel under siege," says Margaret Browning, former mayor and shop owner.

"It's not as if Church Farm will be the end of development – applications have just been granted for another 100 housing units in the town. And another area, Church Farm Marshes, seems to be up for development too.

"We are by no means opposed to some continuing housing development," adds Hugo Herbert-Jones, chairman of the Aldeburgh Society. "But the speed and scale of what is happening to Aldeburgh could change its character quite unacceptably".

Aldeburgh, with its clustered houses and wide high street bounded by a slim, pebbled shoreline and by river and water meadows on the landward side, does have a special character. Britten's character Peter Grimes seems to lurk in the mists of the early morning as the fishing boats are beached. Yet it is far from being the only East Anglian town to wish for less "development."

Across southern England many citizens of country towns are hoping that Mr Chris Patten, appointed Environment Secretary in July, will help them put an end to what Aldburnians are now dubbing the rape of the town.

For Aldeburgh represents in microcosm what is happening in many of England's recently remote rural areas, where pressures from a revolution of rising expectations and economic growth have met a planning system designed for an earlier era and recently weakened by central government fiat.

Such pressures have been particularly acute in East Anglia in the last three or four years. Partly because of the revolution in information-based technology, new jobs have become available in larger country towns like Ipswich or Woodbridge. This fuels a demand for housing exacerbated by commuters moving northwards out of London, by increasing numbers of older people seeking to make a pension go further and by a growing demand for second homes. In Aldeburgh, it is thought that as many as two thirds of the houses sold in the past few years have gone as second homes or for retirement by newcomers to the town. The district council says that 20 per cent of the town's "dwelling stock" is second homes.

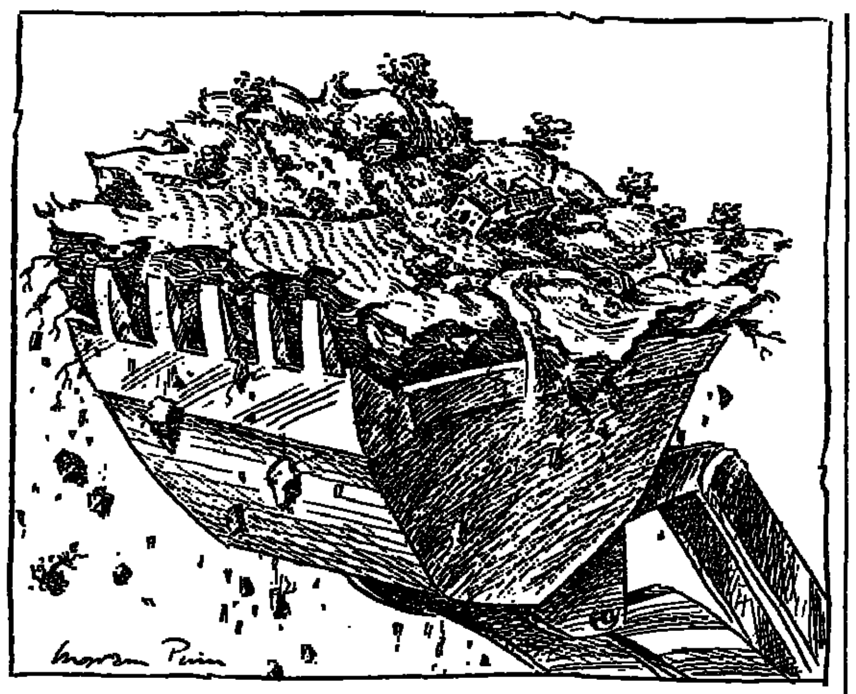
Meanwhile, rather like Aldeburgh's crumbling sea walls, national planning controls on new housing have been getting weaker. Mr Jeremy Schofield, director of planning services for Suffolk Coastal District, which includes Aldeburgh, notes that a greater permissiveness in central government guidelines gathered pace under Mr Nicholas Ridley, Mr Patten's predecessor. The rule for planners has been that "there is always a presumption in favour of allowing applications for development . . . unless that development would cause demonstrable harm to interests of acknowledged importance."

Mr Schofield, the butt of much criticism in Aldeburgh, points out that planners can only work within the guidelines given them by central government: when the pressures for new housing are as intense as they

Aldeburgh represents a microcosm of what is *happening in many of* England's rural areas

have been in East Anglia, planning applications rise and – within the limits set by government-approved "structure plans" – so do approvals. In Suffolk Coastal District, numbers of planning approvals are currently among the six highest in the country, he says.

Mr Schofield acknowledges that the "speed and scale" of applications granted has come as a shock to many. But he says, for example, that the decision on Church Farm in Aldeburgh was partly taken to meet conservationist objections that the 33-acre site should not be developed piecemeal.



The area, lying at the north of the town and separating the centre from earlier, sizeable housing estates, has long been designated for housing. But many Aldburnians had thought that because, in 1986, an application for piecemeal development had been turned down on appeal – with the inspector saying that the town's special character was "too precious to put at risk" – the development might never happen.

Now, though the developer has agreed with the council that the housing will be phased, the Aldeburgh Society seems to have little faith that the agreement will be respected. As one of its members, Richard Keane, a local solicitor and former mayor, points out, "there will, in any case, be 150 houses in phase one, starting now."

As for the extra 100 housing units that have been granted this year, Mrs Browning suggests it adds insult to injury. The town feels "very unfairly treated," she says. In reply, Mr Schofield quotes housing pressure – noting that for Aldeburgh and the other small towns in the district, this is swelled by the need, approved by central government, for some 700-900 extra houses to meet the demand generated by the new Sizewell B nuclear power station.

And so the arguments go on, in Aldeburgh and across the country. There is inevitably a strong "Nimby" ("not in my backyard") element in the conservationists' case. Local citizens contest, for example, the planners' assertion that there is need (as opposed to demand) for so much new housing; and both sides argue over the desirability of building more starter or retirement homes. What is most marked, however, at a local level is the growing tension between planners and local people, with public confidence in the planning system as a whole greatly weakened.

Can or will Mr Patten do anything about this? Aldeburgh's conservationists seem sceptical. They listened with hope to the Environment Secretary's statements at the begining of October – when he announced that he was "minded to refuse" permission for the new Hampshire town of Foxley Wood, and would hope to shift more planning decisions to local people. But they are waiting for flesh to be put on the bones. For now, as John Trew, an Aldeburgh architect, put it, the change appears "10 per cent real and 90 per cent cosmetic."

Mr Schofield, from his perspective, also expresses scepticism, though he points out that the real significance of Mr Patten's statement was less his decision on Foxley Wood than his suggestion, in an accompanying consultative document on planning policy, that the "special presumption in favour of housing development should end." Precisely what this might mean will not be known until well after the end of the consultation process in January.

Meanwhile Aldeburgh awaits two decisions with some trepidation. The regional planning authorities for East Anglia have recently submitted to Mr Patten their estimates for the housing needs for the 15 years following the end of the current planning period in 1996. To the alarm of Suffolk Coastal District, these project the same levels of growth as in the mid-1980s. Local councillors have objected, but wonder whether they will be listened to.

Then there are the Church Farm Marshes, 265 acres of water meadows only yards from the sea, which separate Aldeburgh from the holiday village of Thorpeness. The marshes are part of East Anglia's Heritage Coast and deemed of exceptional environmental sensitivity by bodies like the Royal Society for the Protection of Birds.

Late last month, the majority of the five lots constituting the marshes were sold under sealed tender without anyone outside so far knowing whether the agent's publicity blurb about them – that they provided "tremendous scope, subject to planning" for the development of recreation and leisure activities – will be allowed to come true.

BOOK REVIEW

Governing without economic gurus

I could not put down this book (which is to be published on November 23), although I managed to discipline myself to read it consecutively, instead of jumping to the chapters where my own name figured.

Its subtitle, Journalism and Economic Opinion in Britain and America, explains the theme. Parsons originally intended just to study recent developments in the information business, but was provoked into something more far-reaching. The final chapter, however, "Governing without gurus," takes the author back to his original intention. For he believes that economic theories and academic pundits have been among the casualties of the information revolution. We now "confront the prospect of being informationally rich, but knowledge poor."

Before being carried away, we should look at Parsons's own account of a 19th century trial run. In the early and middle part of that century the serious journals were full of expositions of topics such as tariff and currency theory. The advent of the transatlantic cable in 1866, together with increasing American influence and the growth of a wider investing public, encouraged, however, a new brand of journalism more interested in personal financial gain than in ideas. The change was also abetted by the professionalisation of economists, who became more interested in academic respectability than in policy debates.

It was the disasters of the First World War, the Versailles Treaty, the 1929 crash and the Great Depression which brought back political economy. Nearly all the ideas of Keynes were first promulgated in newspapers and semi-popular books and pamphlets.

What I miss in Parsons's book is a concise account of what the various writers were advocating. Indeed his identification of Keynes with a generalised interventionism does the master no service. He does however have the excuse that the English Keynesian publicists were culpably unreflective about boosting the power of the very same state whose

THE POWER OF THE FINANCIAL PRESS
By Wayne Parsons
Edward Elgar, £28.50

errors they daily castigated.

In this they contrasted unfavourably with the American, Walter Lippman, who accepted Keynes's case for public works and counter-cyclical spending, but always insisted that state intervention had to be closely monitored. Another underplayed author is Friedrich Hayek who never fell for the technological trappings which even Friedman embraced and whose work has survived the demise of the media gurus better than most . . .

Unfortunately,the British economic press, which with a few exceptions had little time for Hayek, had by the 1960s "adopted a very narrow and largely macroeconomic agenda which assumed that the main remaining issues were ones of technique." Parsons reminds us that the financial scene did not receive the same rigorous analytical treatment.

But the macroeconomic domination was never total. For the most influential writers on the so-called British economic disease, such as Andrew Shonfield and Michael Shanks, based their diagnoses on the supposed failure of organisation and planning – topics which received no attention in the formal economics of the period. In Britain it was the journalists who wrote books, attended seminars and became Fellows of Nuffield. By contrast in America it was the professors who wrote for the papers, and appeared on television – above all Friedman, Samuelson and Galbraith.

But now comes the most astonishing part of the story. For the main ideological thrust behind President Reagan's counter-revolution was developed, not by any of the above, but "at the margins of academic respectability" in the editorial pages of the Wall Street Journal, where "supply side economics" was largely invented. Its characteristic feature, distinguishing it from the "old-time religion," was an exaggerated belief that tax cuts would either pay for themselves or could be justified ahead of curbs on spending.

Nevertheless to the surprise of the sophisticates, the resulting budget deficits have put pressure on US government spending, largely because of the lingering old-time belief that they matter after all. Thus the more hysterical prognostications about the twin deficits (budget and balance of payments) have so far been falsified by events.

For all the half truths involved in supply-side economics, it was natural to ask myself whether the Financial Times could have taken a similar lead. Here I can no longer avoid Parsons's extremely generous treatment of my own work with appropriate citations from my books and longer essays, which show conclusively that I have never been the simple-minded monetarist imagined by the old-time British economic establishment. I am happy to be described instead as "an exponent of a popular but extremely sophisticated classical liberalism." But even if my colleagues had joined me in a crusade, such beliefs would hardly have set the Thames on fire.

Nevertheless, there was something to be learned. Throughout its crusading years, the Journal also ran articles by a board of contributors most of whom were anti-supply-siders; and the Financial Times now has guest economic contributors on Wednesdays, who sometimes reinforce and sometimes contrast with the editorial line.

Have all these issues been superseded by the instant comments on the latest indicator by a man from a broking firm or bank filmed in front of a computer terminal? Market economists should not complain about changes in the market they themselves face. All the same, the information revolution can make only a limited contribution to the problems of political economy, which will not go away, irrespective of fluctuations in the numbers following the debate. For they are endemic to human society.

Samuel Brittan

LETTERS

'Not miserable enough'

From Professor Wynne Godley.

Sir, According to the medium term forecast published recently by the London Business School, total output will rise (on well defined assumptions) at about 2 per cent a year between now and 1992, a rate of growth which is not enough to keep unemployment from rising towards the end of the period.

At the same time the balance of payments deficit is forecast to fall from an estimated £19bn in 1989 to £13.5bn in 1992; expressed as a proportion of gross domestic product, the fall is proportionately a little larger, from 3.8 per cent in 1989 to 2.1 per cent in 1992.

This forecast is pretty miserable; nevertheless I believe that it is not miserable enough.

In the first place, the balance of payments deficit forecast by the LBS for 1989 looks on the low side. The deficit would only be £19bn (assuming the statistics are not revised) if the monthly average for the last three months is £1.1bn. This is far lower than the recent run of monthly figures, which averaged £20bn for the year as a whole.

My doubts about the medium term forecast can be summarised by pointing to the fact that the 2 per cent growth rate projected by the LBS is just about the same as the average growth rate which actually occurred over the whole 10-year period 1979-1989. Yet during this period the balance of payments went from a deficit of £0.5bn in 1979 to £20bn in 1989.

Are there significant grounds for supposing that the huge and discontinuous improvement in net export demand forecast by the LBS will now take place?

I am quite unconvinced.

The measured competitiveness of British industry is not very different from what it was in 1979, the cumulative record of manufacturing investment has been exceptionally poor and (partly as a result of this) capacity has been operating at full stretch at least until very recently.

I realise that the export performance of British industry has recently improved a bit. But the beneficial effect of this has been largely offset by the stupendous British appetite for imports. If the recent moderately improved (net) export performance were to continue, a 2 per cent growth of output would (by my reckoning) be accompanied by no improvement at all in the deficit expressed as a proportion of GDP. Expressed at current prices, that would make the deficit at least £25bn in 1992 – about double the LBS forecast.

All these forecasts are conditional on output growing by about 2 per cent a year. The LBS does not draw attention to the possibility that the credit boom will go into reverse. If this were to happen the balance of payments might indeed improve, but this could be at the cost of a severe recession.

Wynne Godley,
Department of Applied Economics,
University of Cambridge

Colombia's drug war

From Mr Tim Rathbone MP.

Sir, Having just returned from a visit to Colombia to study the drug trafficking problem, I must draw your attention to a small but important error in your article on the drugs war there (November 3).

You identify one of the terms of dialogue set by the narcotic terrorist groups as being an amnesty "in exchange for stopping cocaine production." Unfortunately such an offer to cease production has never been on the table – though I wish it had been, and so do those in authority in Colombia.

In my conversations there with ministers and with politicians, the possibility of dialogue was naturally discussed. But, without exception, it was appreciated that no dialogue could properly take place, or lead to any positive conclusion, without a commitment to cease production and trafficking; so at present no serious dialogue can be considered.

There are also doubts about narcotics traffickers' readiness to participate fully in the long-established Colombian democratic process. Continuing political assassinations indicate no such inclination; without such intent dialogue hardly seems worthwhile.

The Colombian Government and Colombian authorities' commitment to the war against narco-terrorists is proving more successful than is often appreciated, and extraditions of leading suspected drug traffickers, for trial in the US, continue. Colombian efforts deserve our support – most particularly by curbing demand for illegal drugs here in the UK, by international co-operation to control laundering of drug traffickers' earnings, by speedy ratification of the Vienna Convention (providing for – among other things – confiscation of drug traffickers' assets), and by encouraging trade between Colombia and the European Community in order to strengthen Colombia's economy and enable it to continue the battle.

Colombia's war is our war.

Tim Rathbone,
Chairman, All Party Drug Misuse Group,
House of Commons, SW1

Minimum is a relative term

From Mr John Tippler

Sir, "Observer" (October 27) refers to the 15-month closure of Mansion House Underground station in London "to enable the work to be completed in the minimum possible time."

When New York's Empire State Building was constructed between 1929 and 1931, the whole operation took 19 months, including demolition of the hotel that previously occupied the site.

The Empire State, the tallest building in the world for almost 40 years, is still majestic and fully functioning. It makes one wonder at the duration of City works.

John Tippler,
Weston Hills,
Spalding, Lincolnshire

Equal EC working hours

From Mr Denis MacShane.

Sir, "The Folly of Shorter Hours" (Leader, October 25) appears to have been written in 1979, not this year. Its theme is that the unions are jointly responsible for the parlous state of British manufacturing at the end of the 1980s.

One enduring legacy of 10 years of Mrs Thatcher is that the unions have been tamed; stripped of power and rights. If manufacturing is under-performing and starved of investment in 1989, employers are to blame, responding to the direction of Government policy.

What seems unfair is your suggestion that UK manufacturing workers should not seek to enjoy a working week equivalent to that in most other EC countries.

The cuts in working time elsewhere in Europe since 1980 have spurred managers to improve production processes in precisely the manner you recommend. In Germany the three hour cut in the working week since 1985 has coincided with record output, profits, productivity and more jobs. In Britain, it seems odd to argue that the way forward is to maintain the long hours, low pay manufacturing economy currently in place.

Denis MacShane,
International Metalworkers Federation,
54 bis, route des Acacias
1227 Geneva, Switzerland

Successful bridges over the skills gap

From Mr M. Sako.

Sir, I am surprised that you make a clear cut distinction between the West German model of industrial apprenticeships and the Swedish-Japanese model of school-based vocational education, as though the two are mutually exclusive ("Bridging the skills gap," Leader, October 31).

Surely what is common to the systems of vocational education and training of these three successful countries is that the attainment of general education is higher for a greater proportion of post-compulsory-educated young people than in the UK; and that employers take an active role in training – not only young people, but over the long term career of workers.

Employer-led "on the job" training, and employees' willingness to learn through inexpensive correspondence courses are just as important, in accounting for Japan's accumulated stock of vocational skills. It is inaccurate to describe the Japanese system as "the school- or college-based vocational education."

M. Sako,
Industrial Relations Department,
London School of Economics,
Houghton Street, WC2

FINANCIAL TIMES
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NEW GENERATION WITH A MORE MODERATE STYLE

Blacks triumph in US elections

By Lionel Barber in Washington

BLACK politicians triumphed in Tuesday's US gubernatorial and mayoral elections. It signalled the emergence of a new generation of black leaders with a more moderate style.

The cities of New York, Seattle, New Haven and Durham chose their first black mayors; Virginia will have the first elected black governor of a US state. Their successes suggest that there is a formula to beat racial prejudice.

Mr Douglas Wilder, the grandson of slaves, who is set to become the first black governor of Virginia, achieved his narrow victory by running as a "militant moderate", a man of experience and merit who was better qualified than his Republican opponent.

One rule that Mr David Dinkins, the victorious mayoral candidate in New York, might offer is: at all costs steer clear of the Rev Jesse Jackson. Both Mr Dinkins and Mr Wilder kept their distance from Mr Jackson, who is the most prominent black politician in the US, but who highlights racial tensions.

By running as mainstream, establishment candidates – rather than as insurgent outsiders like Mr Jackson – both Mr Wilder and Mr Dinkins were, in the popular phrase, running as "whites with black faces." Their victories signal the slow emergence of an alternative black political leadership in the US best illustrated earlier this year by the election of Congressman William Gray of Philadelphia as House majority whip.

David Dinkins, victorious in the battle to become mayor of New York and one of a growing band of successful black politicians

The first wave of black leaders, many of whom marched in the bloody confrontations at Selma, Alabama, and elsewhere in the Deep South, attained office shortly after the passage of the Civil Rights Acts in the mid-1960s. But their gains were largely registered in cities with heavy black populations. They are men such as Mayor Coleman Young of Detroit and Mayor Marion Barry of Washington DC, both of whom are still in office.

The historical irony is that many of these leaders have found themselves presiding over cities with shrinking tax bases, high crime and an exodus of whites – and therefore shrinking political influence.

Moreover, many of the "first-wave" black leaders have found themselves sucked into ethical problems and accusations of corruption.

Mr Wilder, 58, who in 1969 became the first black politican to serve in the Virginia state senate since the Civil War, plays a very different tune. A rich lawyer by profession, Mr Wilder says Democrats must have "a very good record of cutting taxes."

Likewise Mr Dinkins, a barber's son from Trenton, New Jersey, who rose to become Manhattan borough president, emphasises his experience in local government and commitment to law enforcement – rather than outright commitment to blacks.

Yet there is room for caution. Both Mr Wilder and Mr Dinkins' victory margins were far narrower than the exit polls suggested. This is the clearest indication that voters were reluctant to say publicly that they had indeed cast a vote against a black candidate – evidence that racial tensions, however latent, are still very much present today.

Bad news for Bush; Test for Dinkins, Page 8

Colonel Sanders lays on a Hawaiian takeaway

By Robert Thomson in Tokyo

KENTUCKY Fried Chicken Japan, the fast-food chain, is demonstrating its concern at the country's worsening labour shortage by sending 5,000 of its workers on a free trip to Hawaii to develop their sense of company loyalty.

There will be five Hawaiian days and four nights at the fast-food company's expense for the employees, whose only obligation is to attend English-language classes for a day.

It is presumed that they will take in a few take-away food stores to watch, as a company official put it, the "selling smiles" of US counter staff.

Companies such as Kentucky Fried Chicken Japan are particularly vulnerable to the labour shortage, as they are reliant on part-time workers who are now in great demand and whose salaries have risen sharply in the past two years. About 90 per cent of the company's 32,700 workers are part-timers.

The ratio of job vacancies to applicants was 1.35:1 in August, and it has become commonplace for part-time workers to switch jobs at short notice to take advantage of higher wages, despite the deep and abiding emphasis on company loyalty in Japan.

A Labour Ministry survey of the service industry found that 48 per cent of companies questioned expected to have a staff shortage by the end of the year.

Mr Ichiro Takatsuki, the company's public relations officer, said that some Japanese companies offered free overseas trips to a select group of senior staff, but Kentucky Fried Chicken was "sending young people" with the only qualification that they had worked for at least five years for the company.

The travellers, who will stay at an international hotel, will not be required to give the company any employment guarantees, and "can quit on the next day if they want", Mr Takatsuki said.

He presumes, however, the well-sunned staff will "appreciate how much the company cares for them" and stay on.

Hawaii was chosen, Mr Takatsuki said, because it is a "fast-food battleground" and because staff can learn from watching Hawaiian hospitality.

"In the last 10 years we have had training programmes in Hawaii and the results have been an improvement in morale and loyalty. The idea comes from that."

He said that the company wants to establish a "good image for the long-term" with workers, as "recruiting has become more and more severe".

The 5,000 trips will be offered over three years, with about 1,500 staff travelling next year, about 900 of whom are expected to be part-timers.

Each trip is expected to cost the company Y130,000 ($906), which takes a lot of saving for a part-timer, who is on about Y500 per hour in the provinces and about Y700 to Y800 in the company's Tokyo outlets.

Kentucky Fried Chicken Japan is jointly owned by Mitsubishi Corporation, the giant Japanese trading house, and Pepsico.

THE LEX COLUMN

Easy money at the building society

The world's equity markets are still being driven by interest rates. The unexpected timing of this week's easing by the Fed has been enough to offset the growing worries about corporate earnings on both sides of the Atlantic. But it would be most surprising if these concerns did not resurface very shortly.

Building societies

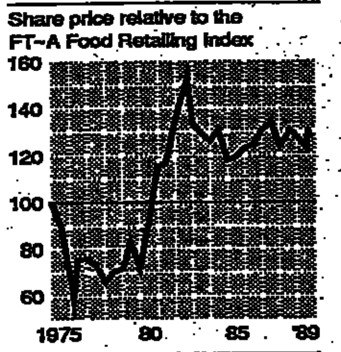
Imagine a financial institution taking over one of its stronger, and more efficient, smaller competitors for less than 4 times earnings and raiding the target's reserves to pay for the deal. It may be hard to believe when there are predators out there allegedly ready to pay as much as 20 times earnings for a not very profitable London merchant bank. But the Cheltenham & Gloucester Building Society, which definitely has grand ambitions, seems to have pulled off this remarkable feat with its planned takeover of Guardian.

The C & G has promised Guardian's investors a 4 per cent bonus, payable out of Guardian's reserves, for agreeing to a takeover which will strengthen C & G's capital position and permit it to enter a part of the market where it was not represented. One wonders why Guardian's directors did not put the business up for auction, until it is remembered that until very recently when building societies were taken over investors rarely received anything. The Abbey National float changed all that, and now C & G has shown that it needs to be even more generous to win investor approval for deals which in other industries would be regarded as daylight robbery.

It would be reassuring if a rival predator – Citicorp, say – were to surface and offer to pay Guardian's investors 6 per cent. Even though the building society bureaucracy makes this most unlikely, C & G's move has concentrated attention on the industry's hidden values in no uncertain manner.

Sainsbury

Share price relative to the FT-A Food Retailing Index



J Sainsbury

The stock market battle between Tesco and J Sainsbury for the status of blue chip stock in the food retailing sector may have shifted a little yesterday. The theory, at its simplest, is that much of the good work has been done at Sainsbury; Tesco is still improving and thus has greater scope for profits growth. And sure enough, the interim results showed Sainsbury's UK operating margins climbing a slender 0.02 per cent; on the day, Sainsbury's shares fell 5p and Tesco's rose 2p.

The comparison may be slightly unfair to Sainsbury, which was pointing yesterday to a survey showing a better customer profile than its rival. There were also good figures from Shaw's, the group's US supermarket group. However, profits actually fell at Savacentre, which is waiting for the new hypermarket at Merton to become profitable; at Homebase, volume sales were down on a like-for-like basis.

Times are getting tougher. The shift towards superstores is justified by the better margins and volume growth, but means higher interest charges and capitalised interest. It looks as if the 20 per cent per annum profits growth which Sainsbury's has produced so consistently in the 1980s will not be achieved this year. The company's excellent record is fully reflected in the rating, which assuming full year pre-tax profits (without property) of £410m is a prospective 13.5.

Mountleigh

Seven days ago, Mountleigh's outside shareholders may not have been comfortable with its shares at 132p, less than half net asset value, and gearing at 67 per cent. But at least they had a rough idea where they stood. The bloodless coup by Mr Nelson Peltz and Mr Peter May has changed all that. Its worrying features start with the run-up in the shares before yesterday's announcement, and go on to the ease with which the two have gained effective control of Mountleigh's undervalued assets by buying one-fifth of the equity.

Theoretically, Messrs Peltz and May could produce for Mountleigh the wealth Mr Michael Milken's junk bonds helped them achieve in the US. Indeed, the two men's record suggests there is more to them than mere leverage. Buying National and American Can for $1bn, then selling them last year for $3.5bn, was a coup requiring shrewd management as well Mr Milken's phone number.

But whatever happens, Mountleigh seems on the way out as a property company and facing rebirth as a vehicle for corporate predators. A clue to the breadth of their ambitions is that one of their American companies, Avery, has $800m in cash for US takeovers. It is breathtaking that Mountleigh's board should have acquiesced in a deal which could so radically transform the company without trying to make Mr Peltz and Mr May buy the whole thing at a fair price. Outside shareholders should start querying the deal before it is too late.

Polygram

The proposed flotation of Polygram is a reminder that Philips, its parent, is a company like no other. Polygram's net profits in 1988 were half the previous year's and unchanged from 1985: at the proposed price of Fl34-Fl42, the exit p/e is between 17 and 22, around twice the Dutch market average. In 1988 Polygram contributed just 6 per cent of Philips's turnover: on flotation it will account for half Philips's market value.

Assessing the issue is tricky in the absence of quoted competitors. The recorded music business, despite its chancy and volatile nature, is in some ways similar to the glamorous world of international publishing. Sony, for instance, paid 20 times earnings for CBS two years ago. But Polygram is untypical of its industry: heavily biased to classical music, which though a steadier market than pop is also slower growing: and well ahead of the competition in compact discs, thus having exploited a major source of growth already.

But if the issue gets away even at the bottom of the range, it may be that Philips itself is still underpriced, despite having outperformed the Dutch market by nearly 50 per cent in the past twelve months. For many years, Philips has been a treasure-house of assets producing almost no return. The treasure is now being extracted; the unanswered question is whether the management has a sensible strategy for the proceeds.

Rift widens over China's economic future

By Peter Ellingsen in Peking

THERE ARE growing signs that the rift between central and regional authorities in China is widening as the country's top policy-making body, the Communist Party Central Committee, tries to agree a future economic blueprint.

If hardliners led by Prime Minister Li Peng get their way wealthy, quasi-independent provinces like Guangdong – where inflation is running at about twice the national level of 20 per cent – may be soon brought under rigid central control. Already there have been reports that the province, which borders Hong Kong, may be forced to impose strict limits on foreign property investment .

"We know Guangdong has been prominent in criticising the tight policy of the centre and there may be moves to bring them into line," a Western economist said.

The central committee's fifth plenum, now under way in Peking, is reviewing the austerity package imposed on the economy last year, and has produced deep divisions between hardliners, who want to extend central control, and regional leaders who back further reform, especially those from Guangdong, Shanghai and the prosperous coastal provinces.

The plenum is being viewed as a crucial battlefield between hardliners and moderate reformers, notably on questions of economic policy, and the new appointments to be made to the party's ruling Politburo.

While the hardliners look to have the upper hand, there are signs that two moderates, Zhu Rongji, the Shanghai mayor, and Zou Jiahua, Minister for Machinery and Electronic Industry, may fill slots left vacant by disgraced former party chief, Zhao Ziyang, and Hu Qili, a liberal ideologue. The two men have the backing of paramount leader, Deng Xiaoping, and are believed to stand a good chance of winning against Li's nominees, headed by Chen Xitong, the hardline Peking mayor.

One of the central issues is how much of the recent economic reform should be abandoned in favour of tighter, centralised control. The elevation of Zhu, 60, a well liked and entrepreneurial leader who has run China's biggest city for two years, suggests that the reformers remain important, though with much less clout since Zhao Ziyang lost the power struggle following massive student demonstrations in Peking earlier this year.

China's economy is in trouble following Western economic sanctions, notably a freeze on World Bank loans, and Peking's decision to tackle inflation by limiting growth, money supply and the freedom of private entrepreneurs and prosperous provincial enterprises.

The credit squeeze has already resulted in widespread closure of factories. China's external debt has soared to $40bn, unemployment has doubled to about 4 per cent and wages have come under attack. According to the official China Daily, the government's austerity package has led to "sluggish" demand and meant "some businesses can hardly pay wages."

Setback for Mexican debt package talks

By Stephen Fidler, Euromarkets Correspondent, in London

MEXICO has almost certainly failed in its attempts to persuade banks holding between 10 and 20 per cent of its commercial debt to make new loans as part of a debt package agreed with leading creditors in September.

Banks owed about half the approximate $53bn in medium and long-term loans covered by the agreement have now responded and bankers are almost sure that those pledging new loans will not exceed 10 per cent.

However, the failure to achieve this target does not necessarily spell the collapse of a deal which has been fraught with difficulties from the beginning.

The importance attached by the US to Mexico and the package's status as the first covered by the new international debt strategy launched by Mr Nicholas Brady, the US Treasury Secretary, suggests that it will go to great lengths to ensure that the package is completed.

Depending on the size of the shortfall, the issue could be resolved in talks between the 15-bank advisory committee, led by Citibank, and Mexico.

Mexican government officials were expected in Washington today to discuss the package with the US Treasury. However, the official sector appears firm in opposing the provision of any more official finance for the package.

Under the agreement, Mexico's 400 or so bank lenders have three choices: to make new loans totalling 25 per cent of their exposure over four years; to convert the loans into 30-year discount bonds at 65 per cent of face value; or to convert into par bonds with the same face value and carrying a fixed below-market 6¼ per cent interest rate.

The bonds are backed by $7bn of official resources – from the International Monetary Fund, World Bank, the Japanese Government and Mexico's own reserves – which will cover at least 18 months of interest payments and the repayment of principal after 30 years. The new loans carry no guarantees.

If new loans fall short, there may be insufficient official resources to back the bonds and Mexico may be unable to cover its financing needs over the next four years.

There remain important unknowns, however, which make it impossible to say how large the shortfall will be. The cost of the 30-year zero coupon US Treasury bonds which will guarantee principal payments depends on market prices. The final split between discount and par bonds – the former use up less collateral – and the final count for new money is not known.

Mexican banks, owed at least $5bn, will not receive official collateral, and may thus decide to opt for new loans.

Japanese have overwhelming favoured the Mexican discount bonds, in contrast with their response to the Philippines debt package where most seem set to make new loans.

Citibank, the largest single creditor with exposure of about $2bn, is the only bank known to have converted just about all its exposure to new loans. A number of others, including Bank of America, have said they will make some new loans, but most of these are converting most exposure into bonds.

Japan shows 'little flexibility' over trade

By Nancy Dunne in Washington

THE second round of US-Japanese trade talks, seen as vital to the Bush Administration, produced disappointing results this week with the Japanese side showing "very little flexibility" in acknowledging market access problems embedded in the Japanese economy, according to US officials.

Mr Charles Dallara, assistant US Treasury Secretary, who participated in the talks along with other key sub-cabinet officials, said the Japanese showed little flexibility in "reaching common ground on the nature of the problems, even problems which do appear to be widely recognised in Japan."

Furthermore, the delegation was unwilling to look at "new additional steps" to address the structural problems which underlie the trade and current account imbalances.

The Bush Administration has promoted the "structural trade initiative" talks as the best available method to reduce the frustrating $50bn US trade deficit with Japan, which US officials contend threatens the world economy.

The American side hopes that through reasoned arguments, emphasising potential gains to Japanese consumers, the Japanese will agree to begin structural changes in its economic system. These have been identified by the US as: a distribution system with allegedly anti-competitive trade practices; a pricing mechanism, which the US said does not sufficiently reflect the high value of the yen; "keiretsu relationships" through which Japanese corporations exclude foreign companies; land use policies and other exclusionary business practices.

The one tangible result of the talks was release of a joint pricing study, conducted last month by the US Commerce Department and Japan's Ministry of International Trade and Industry. The survey of 122 brand name products, purchased in New York, Chicago, Tokyo and Osaka, found that 84 were priced higher in Japan than in the US.

Of the 22 capital goods studied, 15 were more expensive in Japan than in the US. Of these, five were Japan-made, three were US-made, seven were produced in third countries. Six of the seven products priced lower in Japan were Japanese-made and one was American-made. No third-country product was found to be priced lower in the Japanese market.

Mr Michael Farren, the US Commerce Undersecretary, said that the price differences can be traced directly to the structural impediments in the Japanese economy. The Japanese negotiators, denied that conclusion and said a committee of the Liberal Democratic Party had been formed to specifically study the issue.

The talks, to be held every other month, are expected to produce a preliminary report in April with a "blueprint" for action. The Administration is under tremendous pressure from Congress to produce substantial results through the talks. Senator Max Baucus, chairman of the international trade subcommittee, said that if the talks are "unproductive" he will introduce legislation to try to force the Administration to take stronger action.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	17	63	Dubrovnik	S	14	57	Malta	F	19	66	Rhodes	F	21	70
Algiers	S	23	73	Edinburgh	C	6	43	Manchester	R	6	43	Rio de J'o	F	30	86
Amsterdam	C	10	50	Faro	S	21	70	Manila	F	32	90	Rome	S	14	57
Athens	F	20	68	Florence	C	14	57	Melbourne	C	15	59	Salzburg	F	8	46
Bahrain	F	28	82	Frankfurt	F	8	46	Mexico City	F	26	79	San Francisco	F	9	48
Bangkok	F	33	91	Funchal	F	20	68	Miami	C	25	77	Seoul	C	14	57
Barcelona	S	19	66	Geneva	C	7	45	Milan	S	12	54	Singapore	F	31	88
Beirut		–	–	Gibraltar	S	21	70	Montreal	C	3	37	Stockholm	C	4	39
Belfast	R	5	41	Glasgow	F	6	43	Moscow	S	2	36	Strasbourg	C	6	43
Belgrade	C	7	45	Guernsey	R	11	52	Munich	S	6	43	Sydney	F	21	70
Berlin	C	5	41	Helsinki	C	5	41	Nairobi	F	24	75	Taipei	F	30	86
Biarritz	C	17	63	H. Kong	C	27	81	Naples	S	16	61	Tangier	F	19	66
Bombay	S	33	91	Innsbruck	F	6	43	Nassau		–	–	Tel Aviv	S	29	84
Bordeaux	R	15	59	Inverness	S	5	41	New Delhi	S	24	75	Tenerife	F	22	72
Brussels	R	10	50	Islamabad	F	25	77	New York	F	13	55	Tokyo	F	21	70
Budapest	R	8	46	Istanbul	R	15	59	Nice	S	17	63	Toronto	C	3	37
B. Aires	C	27	80	Jakarta	R	32	90	Nicosia	S	23	73	Tunis	F	19	66
Cairo	F	26	79	Jersey	C	12	54	Oporto	C	15	59	Valencia	S	21	70
Cape Town	S	24	75	Jo'burg	F	24	75	Oslo	R	3	37	Venice	S	14	57
Caracas	C	28	82	Lima	F	21	70	Paris	C	13	55	Vienna	C	5	41
Casablanca	F	21	70	Lisbon	F	18	65	Peking	F	9	48	Warsaw	C	8	46
Chicago	C	7	45	London	C	13	55	Prague	S	7	45	Washington	Fg	12	54
Cologne	F	9	48	Los Angeles	F	12	54	Reykjavik	F	3	37	Zurich	F	4	39
Copenhagen	F	8	46	Luxembourg	F	5	41								
Corfu	T	16	61	Madrid	F	17	63								
Dallas		–	–	Majorca	S	20	68								
Dublin	C	6	43	Malaga	S	23	73								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Changes come too late

Continued from Page 1

leave. "All my friends have gone already," he said.

Mike, who took part in mass demonstrations in Leipzig recently, said: "The state's worried that everyone will clear off... Everyone's hoping for reunification. The wall's got to come down." He had no confidence that Krenz and a change of guard at the top would improve things quickly. "I'll be 40 or 50 years old before anything really changes."

He would love to buy a Porsche, but is realistic enough not to set his sights that high. "At least you can see them over in the West. In East Germany, the streets are so bad that engines and axles quickly get ruined."

Behind him, more cars waited as Czech border guards let them through in groups. Over the border, into Czechoslovakia, the line of waiting vehicles was even longer, Mike said. "You can't even see that far back," he said.

By the afternoon, the crossing at Schirnding was more crowded. Heavy lorries also cross here and yesterday had long waits in both directions.

"It's not going to stop," said one policeman gazing at the steady flow of refugees

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday November 9 1989

INSIDE

Hungarian farms fall under the plough

Hungarian farming is in liberalised turmoil. New laws give farm co-operators the right to buy back their land and co-operative chairmen, once state nominees, are now elected. On January 1 food price controls and farm subsidies will disappear, and soon, the highly-trained managers of Hungary's large co-operative farms will see the dismantling of a restrictive pay scheme. The removal of most state support Hungarian farmers fear may usher in a period of chaos. Page 36

Heard it on the grapevine

Stock market rumours are easily laughed at by those in the know, but some appear plausible, and in West Germany such gossip is thriving. Sometimes, of course, rumours turn out to be true — but even smoke without fire can give shares a temporary boost. Where do the false tales come from? Is it traders trying to brighten a dull day, or professional investors looking for a quick killing? Page 48

Sticking to its knitting

Hamburg-based Otto Versand is big in mail order — and happy to stay that way. Unlike other companies, such as its West German rival Quelle, the company founded by Werner Otto (left) has not developed retail stores to complement its catalogue sales. Rather, it has stuck to its origins and shown an acquisitive streak that has made it the world's biggest international mail order company and a name that is increasingly familiar to international bankers. Haig Simonian reports. Page 22

Joining European fragments

US investment bank J.P. Morgan claims it has a stronger presence in Europe than any European bank. But its successful strategy of employing locals and blending with the customs of each country has a negative side — the bank's efforts are fragmented at country level. Earlier this year, the group restructured in Europe with some strategic pan-European appointments. Page 26

Bellway's geographical cushion

House-builder Bellway raised its pre-tax profit 21 per cent to £17m in spite of fewer sales at lower prices in the south. "The house building industry is going through a difficult period because of the Government's determination to control inflation by means of high interest rates, but our geographical spread has helped to cushion us from the worst effects," said Mr Kenneth Bell, chairman. Page 31

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Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Colonia Versich	1240	+	30	Isotel	255.6	+	30.3
Feldmuehle	545	+	6.5	Metaleurop	301	+	19.1
Hochtief	870	+	22	Sosa	59	+	5.5
Kaufhof	532	+	10.5	**Falls**			
Falls				Gaz Eau	78.1	−	5
Asko Deutsche	720	−	11	La Redoute	3360	−	134.4
Dragerwerk	305.1	−	15.4	UFB Locabail	482	−	24.7

NEW YORK ($)				TOKYO (Yen)			
Rises				**Rises**			
Fed Hme Ln Mort	$83\frac{5}{8}$	+	$3\frac{3}{4}$	Daito Gyorui	1490	+	120
Fed Nat Mrt Ass	$39\frac{1}{2}$	+	2	Ishii Precision	1748	+	150
J.P. Morgan	43	+	$1\frac{3}{8}$	Japan Dynamo	1340	+	130
UAL	$185\frac{5}{8}$	+	$6\frac{3}{8}$	Sato Kogyo	2150	+	300
Falls				**Falls**			
Air Midwest	$4\frac{5}{8}$	−	$\frac{3}{4}$	Nippon Tel Bk	2470	−	150
F.W. Woolworth	59	−	$\frac{1}{4}$	Nitto Seimo	1350	−	250

New York prices as at 12.30pm.

LONDON (Pence)							
Rises				Smith Inds.	273	+	16
BAA	353	+	7	THORN EMI	788	+	21
Bass	983	+	27	**Falls**			
Burmah	695	+	13	BOC Grp.	488	−	4
Farnell Elec.	143	+	6	Barclays	472	−	2
Hawker Siddeley	640	+	12	Coalite	279	−	11
RMC	845	+	18	Sainsbury (J.)	256	−	5
Rank Org.	837	+	22				
Redland	543	+	17				

Polygram issue could raise $700m

By Laura Raun in Amsterdam

THE INTERNATIONAL flotation of shares in Polygram, the recorded music company owned by Philips, the Dutch electronics group, could raise as much as $700m.

The long-awaited flotation moved a step closer yesterday with the announcement of a price range for the initial public offerings of $16-$20 a share for the US issue and Fl 34 to Fl 42 for the issue in the rest of the world.

Philips, which owns 100 per cent of Polygram, says that as many as 35m shares will be floated. Of these, 22m are shares being sold by Philips, 10m are shares being issued and sold by Polygram and 3m are additional shares which will be made available if demand is strong enough.

Philips will be left with around 80 per cent of the equity after the deal. About 44 per cent of the issue will be placed in the US and the remaining 56 per cent in the rest of the world.

Polygram is one of the three largest record companies in the world — acquiring, producing, marketing and distributing recorded music in 29 countries.

With more than 18 per cent of the global market, it claims about half of the classical music sector and roughly 16 per cent of the popular music sector. The latter, however, generates 70 per cent of group turnover.

Proceeds of the sale will be used to finance the acquisition of A&M Records of the US, which is expected to take effect on January 1, 1990. Polygram also took over Island Records of the UK in July. The two companies together are costing more than $730m.

The issue price range implies a price/earnings ratio of between 20 and 25 on the basis of accounting principles in The Netherlands. Income data provided in the prospectus shows that on this basis Polygram's net of tax profits rose from Fl 191m ($91m) in 1987 to Fl 262m in 1988. In the first half of 1989 the company's unaudited net income was Fl 148m compared with Fl 80m in the first six months of 1988. That is somewhat on the lower side of industry averages, which have been boosted by a wave of takeovers.

The shares will be listed on the New York and Amsterdam Stock Exchanges. Subscriptions will open after the US Securities & Exchange Commission approves the prospectus.

Philips originally planned publicly to float part of Polygram in October 1987, but scrapped the deal after the global stock market crash. Last month's "big dip" in the international equity markets was shrugged off by Philips and its bankers.

Prudential-Bache, which was supposed to lead manage the 1987 offer, is finally landing its fish. It will be global co-ordinator and will co-manage the US offer with Merrill Lynch, Morgan Stanley, Drexel Burnham and Goldman Sachs. Credit Suisse-First Boston will lead manage the international offer.

Lex, Page 20

Paribas lifts bid to cover 100% of Navigation Mixte stock

By George Graham in Paris

PARIBAS, the French investment banking group, yesterday extended its bid for Compagnie de Navigation Mixte, the food-to-financial services conglomerate, to cover 100 per cent of its target's shares, while leaving the other terms of its cash and paper offers unchanged.

Mr Michel François-Poncet, the Paribas chairman, said that in conversations with Navigation Mixte shareholders it had become clear that some institutions were worried by the prospect of being left with a residue of the company's shares, which would be likely to fall substantially in price once the bid was closed.

"We are interested in keeping Mixte as a listed holding company within the Paribas group, but we do not want to keep minority shareholders who might feel ill at ease," he said.

The bid, of FFr1,850 in cash or three Paribas shares for each Navigation Mixte share, values the group at FFr25.6bn ($4.1bn) after full dilution from the exercise of convertible bonds and options.

After the extension of the offer, Paribas could face a cash outlay of up to FFr21bn. Paribas officials said, however, that the outlay was more likely to be between FFr4bn and FFr9.5bn, because some investors would probably not accept the offer and others would choose the paper alternative.

At the start of the Paribas offer, Navigation Mixte's shares soared well above the FFr1,850 proposed, as a number of shareholders represented on the company's board bought heavily in the market.

Since then, however, the price has sunk, closing at FFr1,824 on Tuesday. Trading yesterday was suspended because of the modification of the Paribas offer.

Mr François Morin, Paribas managing director, said that only 2.46 per cent of Navigation Mixte's capital had changed hands since the bid was launched, and two-thirds of that volume had been on the first day of trading.

He warned that there was no counter-bid on the table from the Navigation Mixte board members who had been buying in the market, and that the share price was likely to collapse after the Paribas bid closed.

Mr Marc Fournier, chairman of Navigation Mixte, has said, however, that his core shareholders control "close to the majority" of the company's capital.

Time to take war to enemy, Page 18

A change of pattern shows up the cracks

Alice Rawsthorn looks at the problems facing Coloroll

Mr John Ashcroft has all the trappings — the sharp suits, the portable phone and the telephone number salary — of the model manager of the Thatcher years. And like so many entrepreneurs of the 1980s, the chairman of Coloroll has come a cropper.

Since the start of the decade, Coloroll has been transformed from a tiny Lancashire wallpaper mill into a home products group selling everything from crockery to carpets. But this year it has suffered from the slowdown in consumer spending and the slump in the housing market. At the same time, it has been hit by a hefty increase in the interest payments on its own borrowings.

When its interim results are unveiled next Thursday, Coloroll is expected to announce that pre-tax profits for the six months to September 30 have halved from £20.5m ($32m) to just over £10m. Its share price, down 12p to 83p yesterday, is at an all-time low.

In the last few days Coloroll has been clouded by speculation. One rumour said it had severe cashflow problems. Another that the banks were putting pressure on it to make disposals. Mr Ashcroft, Coloroll's chairman, is swift to quash the speculation.

"I do not know where all these rumours come from," he said. "The banks have enough trouble running their own businesses without telling us how to run ours."

Even the ebullient Mr Ashcroft admits that the current trading climate could scarcely be less favourable.

Only a year ago Coloroll was emerging from an era of expansion culminating in a bitter £207m bid battle for the John Crowther textile group, conducted with all the arrogance and aggression that has characterised the company since Mr Ashcroft arrived in the late 1970s.

He has staffed Coloroll with managers cast in his own mould, the "MBA-barrow boys", as he calls them. The company is run by the sort of people who spend their working days spouting his own brand of business school jargon ("management democracy is everyone agreeing with what the leader wants" is a favourite phrase) and their weekends hauling themselves over army assault courses.

In the mid-1980s Coloroll was a stock market star. But it fell from favour after the 1987 crash. There were doubts about the logic of buying Crowther, a far larger company with a troubled history. Coloroll had also strained investors' loyalty with its apparently endless acquisitions.

But the housing market was booming. Consumers were spending more money on their homes. The Coloroll strategy of building a group of businesses making products for young homeowners was still successful. The senior directors felt able to treat themselves to generous pay rises last year. Mr Ashcroft's own salary trebled to £517,000.

But the boom is over. The increase in interest rates has taken a toll on sales of home products. The slowdown started late last year and became more serious last spring. By the summer, Coloroll saw sales fall in many of its leading markets.

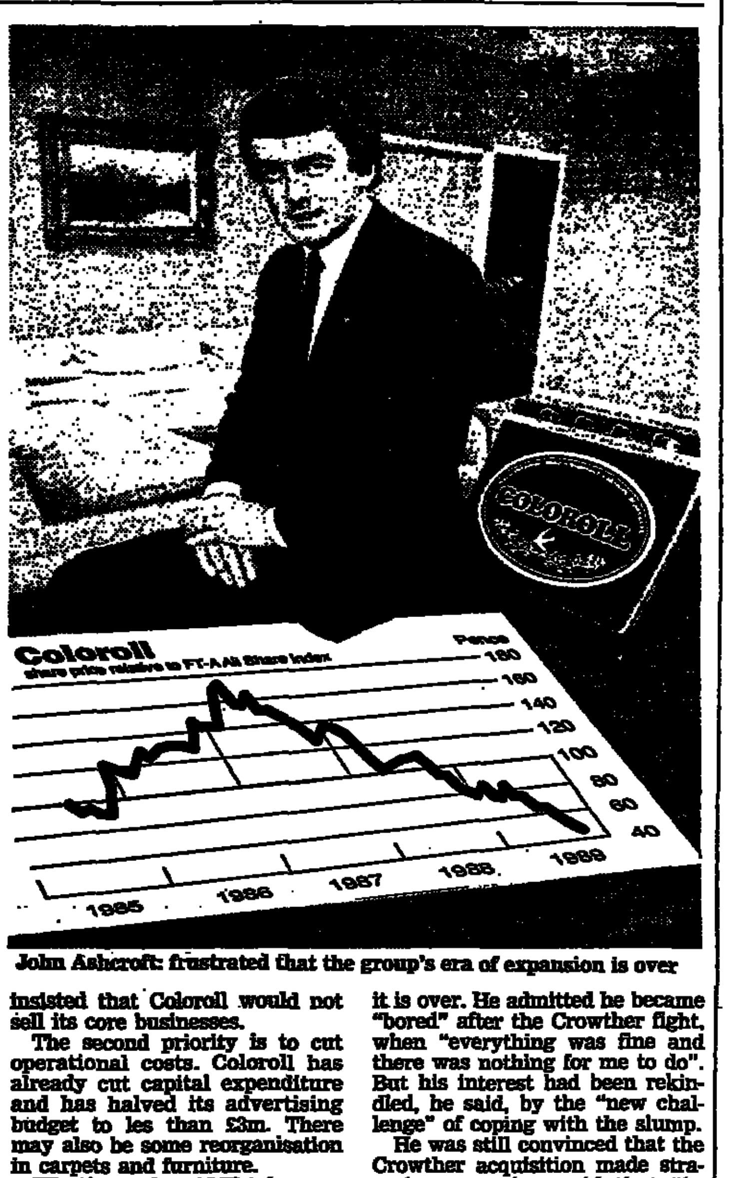
Sales of wallcoverings, the traditional base of its business, increased sales by 10 per cent in the first quarter of the year only to fall by 5 and 6 per cent respectively in the second and third quarters. There has been a similar pattern in filled products — duvets and pillows — where sales rose by 20 per cent in the first and second quarters but slipped by nearly 10 per cent in the third. The furniture business has also suffered a sharp slowdown in growth.

The picture in carpets is patchier. Kosset, one of the Crowther companies, is still increasing sales. The original Coloroll carpet company is losing volume and the contract carpet subsidiary is stable. However, the home textile, ceramic and glassware businesses are all enjoying healthy growth.

These operational problems have been aggravated by heavy borrowings. Coloroll's gearing rose after the Crowther deal and its stock levels have increased since the slowdown. It ended its last financial year to March 31 with net debt as a proportion of shareholders' funds of 66 per cent. Its interest payments almost doubled, because of the rise in base rates, to about £10m in the first half of this year.

About half of the forecast £10m fall in interim profits is attributable to higher interest charges, and the other half to difficult trading. Most of Coloroll's markets are now slightly more stable — albeit at a low level — but profits for the full year are expected to tumble from £56m to £25m.

Given that there is no immediate prospect of a fall in interest rates, the only option is retrenchment. The priority, said Mr Ashcroft, is to bring down borrowings. The proceeds from the sales of MCD and Brinkmans, its carpet distribution companies, should reduce gearing to about 50 per cent by the end of the year. There may also be asset disposals. Although Mr Ashcroft insisted that Coloroll would not sell its core businesses.



John Ashcroft: frustrated that the group's era of expansion is over

The second priority is to cut operational costs. Coloroll has already cut capital expenditure and has halved its advertising budget to les than £3m. There may also be some reorganisation in carpets and furniture.

Whether the "MBA-barrow boys" will be around for long enough to implement these changes is doubtful. Coloroll's share price is now so low that it is very vulnerable to a bid.

As for Mr Ashcroft, he relished the era of expansion and bid battles and is clearly frustrated that it is over. He admitted he became "bored" after the Crowther fight, when "everything was fine and there was nothing for me to do". But his interest had been rekindled, he said, by the "new challenge" of coping with the slump.

He was still convinced that the Crowther acquisition made strategic sense, but said that "in hindsight" it might have been better not to have incurred such high borrowings before a recession. As for whether Coloroll had a future as an independent company? "The honest answer is I simply do not know," said Mr Ashcroft

Imro had probed Duménil trusts

By John Edwards in London

DUMENIL, the UK subsidiary of a French-based financial services group which suspended dealings this week in all 11 of its authorised unit trusts, had been investigated earlier this year by the Investment Managers Regulatory Organisation.

Mr John Morgan, chief executive of Imro, one of the self-regulatory bodies under the Securities and Investments Board, confirmed the probe but did not say why it had been launched or what the findings had been.

Some 12,000 unit-holders have a total of £33m ($52m) invested in the 11 Duménil funds, and are effectively locked in until the suspension is lifted.

No other group is ever known to have suspended dealings in all its unit trusts, apart from temporary trading halts after October 1987 crash. However, there is allowance for suspension under regulation 28 of the SIB's pricing regulations for unit trusts.

Dealings may be suspended at the instigation of the managers, with the prior approval of the trustees, if it is deemed to be in the interest of unitholders, or by the managers if requested to do so by the trustees.

In both cases the SIB and the self-regulatory organisations concerned have to be notified of the reasons. Trustees are also required to take reasonable care to ensure that the methods used for pricing are carried out correctly.

Both trustees, Coutts & Co and the Midland Bank, confirmed yesterday that they had acceded to a request by Duménil to suspend dealings after a meeting which included the regulatory organisations. They stressed that the assets of the trusts had been, and continued to be under the control of the trustees.

Under regulation 28, the suspension should be lifted within one month, but this period can be extended.

Mr Nigel Merrick, Duménil's sales and marketing director, said it was confident that investigations by Touche Ross, as reporting accountants, which started on Monday into pricing errors in the cancellation, bid and offer prices for units, would be concluded within a month.

He said outside valuations of shares held by the funds, carried out by the WM Company, were not being questioned. The investigations were solely in-house.

Mr Merrick said Duménil had spotted that some prices were inaccurate and this had led to the request for suspension while the problems were identified.

In Paris, Duménil's parent company said it hoped the investigation into pricing would be concluded as soon as possible.

French background, Page 31

Sainsbury profits rise midway

By Maggie Urry in London

J SAINSBURY, the UK foods group, disappointed the City yesterday with interim results below best expectations.

The group's usual habit is to provide pleasant surprises with its figures. However, after yesterday's news, its shares fell, closing down 5p at 256p, in spite of the general rise in the stock market.

In the half year, pre-tax profits were ahead by 15.4 per cent to £215.1m ($336m), on group sales up 21.4 per cent at £3.7bn. However, for each of the last 10 years Sainsbury has increased profits by 20 per cent or more.

Lord Sainsbury, chairman, said he was "delighted" with an increase in the supermarket chain's market share from 10.9 per cent to 11.3 per cent.

Stockbrokers, though, said that the marginal rise in the chain's operating margins from 6.6 to 6.7 per cent was disappointing.

The food chain increased sales by 14.1 per cent to £2.9bn and operating profits by 16.2 per cent to £193.2m.

Mr Ewan Davidson, treasurer, said sales in existing Sainsbury stores showed a 1 per cent increase in volume, although in the larger, more than 25,000 sq ft stores, volume was up 4 per cent. Price increases were about 5.5 per cent, he said, and the rest of a sales increase came from new stores.

He added that in the current period of economic uncertainty the group had been right to concentrate on volume and market share rather than margins, implicitly admitting that the group had abandoned the 20 per cent profit growth target.

The group ran an advertising campaign earlier this year emphasising its price competitiveness against other food retailers.

Margin growth was held back by increased advertising costs, a rise in rents following the sale and leaseback of a number of stores and opening costs of new stores.

The interest bill rose, reflecting the high level of capital spending. Wage costs were rising faster than the level of food price inflation, Mr Davidson said.

The group's US food retailer, Shaw's, achieved a stronger performance, increasing sales and operating profits in dollar terms, by 13 per cent and 39 per cent respectively.

In sterling, the increases were even larger, making £16m at the operating level.

Other parts of the group, notably Savacentre, the hypermarket business, and Homebase, the do-it-yourself chain, demonstrated that Sainsbury is not immune to the general malaise in UK retailing.

Lex, Page 20; Details, Page 30

INTERNATIONAL COMPANIES AND FINANCE

Buoyant ABB forecasts steady earnings growth

By John Burton in Stockholm

ASEA BROWN BOVERI (ABB), the Swedish-Swiss electrical engineering group, yesterday reported that profits after financial items rose 54 per cent to $610m for the first nine months of 1989, compared with $395m a year earlier. Sales climbed 15 per cent to $14.1bn.

Earnings in the third quarter rose 59 per cent to $214m and the company forecast that profit growth for the rest of the year would continue at the same pace. Profits in 1988 amounted to $560m.

The power plant, power transmission and environmental protection divisions posted particularly strong earnings growth while good profits were reported in the robotics and superchargers businesses and from some installation material companies.

Orders increased 21 per cent to $15.9bn. ABB said it had received "substantial increases in orders" in the power plant, power transmission and industry business segments. The environmental control division received three orders totalling $132m for production equipment in Japanese pulp mills.

The order figure excludes orders received by Brel, the UK railway vehicle manufacturer which is 40 per cent owned by ABB. Brel recently received a $580m contract to build 680 vehicles for the London Underground and a $200m order for 50 trains from British Rail.

ABB's order backlog at the end of September was $17.9bn.

Profits after financial items at Asea, the Swedish half of ABB, rose 62 per cent to SKr4.23bn during the first nine months.

The figure includes its share of earnings from ABB. Excluding ABB income, profits rose 67 per cent to SKr2.1bn ($327m).

Asea sales increased 20 per cent to SKr93.4bn, while orders rose 27 per cent to SKr105.4bn.

Brown Boveri does not issue a nine-month report. A more comprehensive nine-month report for ABB will be released on November 24.

US businessmen buy Mountleigh holding

By Paul Cheeseright, Property Correspondent, in London

TWO WEALTHY US entrepreneurs yesterday gained effective control of Mountleigh, the UK property group with a portfolio worth £660m ($1bn), against a background of rising disquiet in the City of London.

Mr Nelson Peltz and Mr Peter May have bought for £70.4m the 22.5 per cent holding in Mountleigh – made up of directly owned ordinaries, convertible preference shares and options – owned by Mr Tony Clegg, chairman and chief executive. They paid 200p a share, 71p more than the market price on Monday.

The rise in the share price on Tuesday and yesterday, before the afternoon announcement of changes in the Mountleigh equity, has raised fears among brokers about the possibility of insider dealing. The shares closed yesterday at 163p, having risen 34p in two days.

At the same time investors in Mountleigh are angry that this is the second time Mr Clegg has disposed of his holdings at a price higher than that available to other investors. In October 1988 he sold his 5.4 per cent holding to a consortium of directors. He bought back into Mountleigh last March.

Messrs Peltz and May have stated they have no intention of making a general offer for shares. They have also made it clear that Mountleigh will diversify and could sell some of its property assets. They see the company as a vehicle for investment in Europe.

Nine-month profit at Statoil surges 54%

By Karen Fossli in Oslo

STATOIL, Norway's state oil company, increased nine-month operating profit by 54 per cent to NKr7.6bn ($1.09bn) from NKr4.96bn a year earlier, helped by higher crude oil prices and increased crude oil production volume.

Profits before extraordinary items soared 87 per cent to NKr5.6bn in the period while operating income improved by NKr11.4bn to NKr51.7bn.

Statoil said a further factor contributing to its improvement was a cost savings programme which, by the end of the third quarter, saw costs cut by more than NKr800m.

The exploration and production side had an operating profit of NKr7.1bn against NKr4bn. Profit before extraordinary items increased to NKr5.8bn from NKr2.6bn.

However, operating profit in the petrochemicals business unit declined to NKr700m from NKr928m while profits before extraordinary items slid to NKr636m from NKr866m. The fall was due to a downward price trend this year for petrochemicals products and to two plants shutting down for upgrading and maintenance.

The refining and marketing division posted operating losses of NKr73m compared with a profit of NKr22m last year.

RJR Nabisco in Spanish deal

RJR NABISCO, the US foods and tobacco group owned by Kohlberg Kravis Roberts, has agreed to sell its Nabisco food businesses in Spain and Portugal to Tabacalera, the Spanish state-owned tobacco group, for Pta9.3bn ($80m), Reuter reports.

RJR said Tabacalera would buy RJR's 50.5 per cent interest in Galletas Artiach, Marbu and Nabisco Brands España in Spain – Tabacalera already owns the other 49.5 per cent of each – and RJR's wholly-owned Nabisco Brands Portugal Comercio E Industria, as well as trademark rights in both countries.

Acquisitive Otto Versand scorns safety-net

Haig Simonian on the West German mail order group's successful expansion strategy

For those who still see mail order as a way of peddling old-fashioned goods to old-fashioned people, Hamburg-based Otto Versand, the world's biggest international mail order company, comes as a surprise.

Set up by Mr Werner Otto in 1949 and now headed by his son Michael, the privately-owned group is among the top three mail order houses in western Europe, rubbing shoulders with Quelle, another privately-owned West German group, for the top slot at home.

But no company, including Sears, Roebuck of the US, rivals Otto Versand in its global coverage. Turnover in 1988-89 rose almost 10 per cent to DM13.3bn ($7.2bn), while net profits, which are only revealed for its German business, improved to DM135.5m from DM104.5m after allocations to reserves.

Rather than following Quelle's lead in developing retail stores to complement catalogue sales, Otto Versand has stuck to mail order. But it has shown an acquisitiveness which has made its name increasingly familiar among international bankers, notably in mergers and acquisitions.

Mr Horst Hansen, finance director, explains: "The first decision was whether to concentrate on mail order, or to develop stores as a safety-net as well.

"We decided to concentrate on our business and grew by buying big foreign mail order companies."

By following that strategy Otto Versand now covers most of western Europe, as well as the US and has an embryonic trade in Japan. Foreign sales account for just over half of group turnover.

Much of the foreign trade is divided between 3 Suisses, one of the top mail order businesses in France in which Otto Versand has an "official" stake of 50 per cent although, by all accounts, it owns more, and Spiegel, one of the biggest mail order houses in the US, which was bought in 1981.

Both illustrate the group's strategy of careful foreign expansion, with the companies acquired being used as springboards for local growth.

Thus 3 Suisses has gradually developed a broader range of catalogues, covering increasingly specialised market niches, and has purchased a string of smaller mail order companies to complement its geographic and product range.

"When we buy a mail order company in a country in which we're already active, it's always one which tackles a different social or demographic sector," says Mr Hansen. The upshot is that 3 Suisses now rivals La Redoute as the market leader in French mail order.

The 3 Suisses group has allowed expansion into neighbouring European countries, having acquired the biggest mail order group in Spain. It has also become the largest mail order business in Belgium.

Strategy is much the same in the US, where Otto Versand followed up the acquisition of Chicago-based Spiegel by buying last year Eddie Bauer, a leading men's clothing group.

Werner Otto: founded mail order group in 1949

According to Mr Hansen, Spiegel, which had group sales of $1.4bn and pre-tax profits of $92.5m last year, is a "fashionable department store in print," while Eddie Bauer is a byword for men's outdoor and leisurewear.

The two purchases highlight Otto Versand's knack in avoiding overlapping acquisitions while developing complementary links.

Although Spiegel is geared to female fashions and Bauer to leisure-minded males, they are linked by a conceptual similarity which targets customers who are upwardly mobile and career minded and who choose mail order on grounds of convenience. Hence the potential for joint marketing is clear.

As Mr Hansen points out, it is addresses as much as products which are the key to any modern mail order business. No acquisition makes sense if it just brings a similar bunch of names to those already held in the company's powerful computers.

The US businesses also highlight the increasingly important "convenience shopping" angle to mail order in developed markets. That thinking explains why Otto Versand's criteria for expansion are so different from those expected, given the continuing image of the business in the UK as being geared chiefly towards rural communities or lower-income regions.

Otto Versand has three priorities governing expansion:

- There must be a fully developed economic system, based on free-market competition.
- Success depends on a highly efficient infrastructure, including a good postal service, transport links and financial system.
- A country must have a relatively high gross national product and, most important, be relatively densely populated. Hence Scandinavia, an obvious candidate, is of little interest because of its relatively sparse population densities, large distances between population centres and the variety of languages spoken.

Likewise, eastern European states' non-competitive economies rule them out in spite of the interest shown by groups such as Quelle. Eastern Europe has also been "absolutely unimportant" for Otto Versand on the manufacturing side, as state-sector producers cannot provide the flexibility and quality required for fashions, Mr Hansen says.

The UK, where Otto Versand has regularly been tipped as a potential bidder, remains the most obvious gap in its expansion.

But rather than a takeover, the group has decided on a joint venture with Fine Art Developments, the greetings card and gift maker and distributor.

Elsewhere in Europe, Otto Versand earlier this year bought a 75 per cent stake in Euronova Helvetia, the third biggest Italian mail order house, with sales of about L170bn ($126m) this year.

Otto Versand already occupies the number three position in Holland and last year it acquired a 65 per cent stake in ModenMüller, the leading mail order business in Austria.

But it is Japan, where the group has set up a joint venture with Sumitomo Corporation, one of the country's leading trading houses, which holds a particular attraction.

Mr Hansen says: "Japan is the one exception to the rule that mail order flourishes in a country with a highly developed and competitive economic system."

The business was virtually unknown in Japan until about 10 years ago. By the end of the venture's second year, sales are running on target at about DM100m.

With double the population of Germany and a "fantastic infrastructure," Japan "offers an unbelievable potential."

Cologne Re leaps to DM22.7m

By Haig Simonian in Cologne

NET profits at Kölnische Rückversicherung (Cologne Re), West Germany's oldest reinsurance group, jumped 40 per cent to DM22.7m ($12.3m) last year due to strong premiums growth, a limited number of large claims and improved investment earnings.

Group gross premium income climbed 20.5 per cent to DM1.99bn, assisted by the weaker D-Mark which swelled foreign premiums.

According to Mr Jürgen Zech, chief executive, premium income should climb again in the current year, although by a smaller margin, with a rise to about DM2.1bn.

While the cost of claims is likely to increase appreciably following a number of catastrophes, such as Hurricane Hugo and the California earthquake, the group expects profits to improve further because of higher investment earnings.

Cologne Re had been "lucky" considering the size of this year's disasters, Mr Zech said.

In 1988, underwriting losses increased to DM57m from DM48m, largely on account of higher costs. The allocation to fluctuation reserves rose to DM27.1m against DM12m in 1987.

The group defended its decision not to raise its dividend, in spite of the sharp profits improvement, on the grounds that it had given priority to pumping available cash into reserves to maintain its solvency ratios. However, Mr Zech did not exclude the possibility of a future increase.

NY court finds Travelers liable for waste clean-up

A NEW YORK court has decided that Travelers, one of the leading US property and casualty insurers, must pay for a government mandated clean-up of a hazardous waste site in Louisiana, writes Patrick Cockburn.

The decision has serious implications for other US insurers. Responsibility for the clean-up of toxic waste sites has produced endless litigation between insurance companies and policy holders.

But now the Second US Court of Appeals has interpreted Travelers' liability policy as covering environmental clean-up costs imposed by the government as well as traditional legal damages.

The case was brought by Avondale Industries of Louisiana, which removes oil from the holds and fuel tanks of ships and sells it for recycling.

The ruling went against decisions by two other federal circuit courts.

INTERNATIONAL COMPANIES AND FINANCE

Traffic fall after bombing tips Pan Am into loss

By Roderick Oram in New York

PAN AM unexpectedly reported a third quarter loss yesterday because of steep losses on its airline operations during the peak traffic season.

The holding company dropped to a net loss of \$18m from a profit of \$67.4m, or 43 cents a share, a year earlier. A \$18.4m gain from the sale of its Pan Am World Services division left Pan Am with a net profit of \$458,000 for the latest period. Operating revenues slipped 1.9 per cent to \$1.02bn from \$1.04bn.

Pan American World Airways, its airline subsidiary, turned in a net loss of \$21.9m against a profit of \$52.3m a year earlier. Operating profit shrank to \$18.7m from \$89.2m.

The company said it continued to suffer from declining traffic and fare yields on Atlantic routes and increased competition on its internal German routes. Yields fell to 9.82 cents per passenger seat mile from 9.54 cents.

Profits from its strong summer season has traditionally kept Pan Am going during the lean winter and spring months. However, it suffered this year from declining traffic after the bombing of Pan Am flight 103 over the Scottish town of Lockerbie shortly before last Christmas.

The airline's financial performance also suffered. Aircraft and ground rental costs rose 17.6 per cent to \$85.4m, employee expenses rose 5.4 per cent to \$297.7m and fuel rose 7.5 per cent to \$153.3m in the quarter. The carrier has been pushing ahead with plans to improve its service and increase its presence in the US, particularly at its Miami hub.

"Results for the third quarter – our peak season – were clearly disappointing," said Mr Thomas Plaskett, chairman. However, the company was encouraged that revenues were falling at a slower rate and bookings showed an "improving trend."

For the first nine months, Pan Am's net loss was \$158.3m including the \$18.4m gain in the latest quarter, against a net loss of \$21m a year earlier. Revenues slipped 2.4 per cent to \$2.73bn from \$2.66bn.

● UAL rose sharply on a newspaper report that its chairman Mr Stephen Wolf has been cleared to explore possible transactions for the carrier, arbitragers said. Its stock was up 8½ at 186¼, Reuters reports. UAL was not immediately available to comment.

US machine tool maker slides

By Anatole Kaletsky

CINCINNATI Milacron, the biggest US machine tool manufacturer, reported a sharp decline in third-quarter earnings although the company said its sales and order rates were steady and that the backlog of unfilled orders was at its highest level for three years.

Milacron earned \$2.5m or 10 cents a share in the quarter, compared with reported profits of \$9.6m or 40 cents a year ago. However, the year-earlier figure included an tax benefit of 14 cents a share. Excluding this, year-ago earnings would have been \$6.4m or 26 cents.

Sales in the latest quarter were \$234.5m, virtually unchanged from last year's period when Milacron reported sales of \$244.1m. However, \$12.9m of this came from semiconductor materials operations, which were sold in March this year.

New orders were \$259m, about the same as a year ago.

The backlog of unfilled orders was \$410m, up from \$371m a year ago and \$385m at the end of the second quarter.

The profits shortfall was attributed to production delays in certain lines of machine tools and low utilisation rates in plants for robots and co-ordinate measuring machines.

The company said it expected better profits in 1990, "provided the economy in general and the demand for capital goods in particular hold up."

Canadian packaging concern declines

By Maggie Urry

LAWSON MARDON, the Canadian-based packaging group with extensive interests in Europe, suffered a sharp fall in net income in the third quarter of the year.

After tax profits were C\$5m (US\$4.27m), compared with C\$14.5m in the third quarter of 1988, which included a one-off gain of C\$7.1m on sales of assets to a new joint venture company. Sales in the third quarter fell by 7 per cent to C\$250.8m.

For the first nine months of the year net income was C\$18.2m, against C\$32.5m, on sales down 10.1 per cent to C\$756m. On a per share basis third quarter earnings were 17 cents, compared with 51 cents and for the nine months were down to 63 cents from C\$1.13.

Mr Larry Tapp, president and chief executive officer, said the group "continued to cut costs and rationalise operations during the third quarter of 1989." He blamed "diverse internal and external developments" for the fall in earnings. Operations in Europe "have been pruned judiciously in preparation for a forecast economic downturn in 1990," he said.

There had been a slowdown in flexible packaging sales in the UK, and the fall in sterling against the Canadian dollar had affected profits.

Brighter spots were the boost in beverage bottle sales as a result of the warm British summer and a good performance from the North American packaging division.

Specialist stores lift Woolworth net income

By Karen Zagor in New York

F.W. WOOLWORTH, one of the largest retail chains with nearly 8,000 outlets worldwide, yesterday reported improved third quarter earnings, due largely to the strength of its specialist stores.

Net income for the three months to October 28 rose 6 per cent to \$70m, or \$1.08 a share, from \$66m or \$1.02 a year earlier, on sales up by 10 per cent to \$2.17bn from \$1.97bn. Specialist store revenues improved 18 per cent in the quarter, while general merchandise revenues increased by 4 per cent.

For the first nine months, profits rose 7 per cent to \$154m, or \$2.38 a share, from \$144m or \$2.24, while sales advanced 9 per cent to \$6.03bn from \$5.54bn.

Specialist store revenues for the nine months rose 19 per cent and general merchandise revenues were up 3 per cent. Foreign revenues, expressed in US dollars, advanced 8 per cent, while domestic sales were 9 per cent higher.

Operating profits of US stores rose 12 per cent in the quarter to \$152m. Specialist store operating profits rose to \$99m from \$83m while general merchandise operating profits were largely flat at \$53m.

Air Canada posts gains

By Robert Gibbens

AIR CANADA, Canada's national airline, now part of the private sector, went against the North American industry trend by posting good gains in revenues and earnings in the third quarter.

Net profit went ahead to C\$71m (US\$or 95 cents a share, up from C\$46m or C\$1.08 a share a year earlier, before the issue of nearly 31m shares.

Revenues rose 8.4 per cent to C\$1.04bn and operating expenses were up 6.7 per cent.

In the first nine months profit rose to C\$91m or C\$1.22, up from C\$56m or C\$1.21 on fewer shares.

TLC Beatrice plans to raise \$200m by floating 35% stake

By Roderick Oram in New York

TLC BEATRICE International, a food company controlled by Mr Reginald Lewis, a New York investor, plans to raise up to \$200m by selling a 35 per cent stake to the public.

It would be the first flotation of assets once owned by Beatrice, the Chicago-based foods and household products company Kohlberg Kravis Roberts took private in 1986 in one of the largest leveraged buyouts todate.

It would also make TLC Beatrice the first black-owned company on the New York Stock Exchange.

Mr Lewis, one of the most successful black entrepreneurs, acquired most of the international food operations of Beatrice in 1987 in a \$985m leveraged buy-out.

At the time it was a sprawling hotch potch of 64 companies in 31 countries.

Mr Lewis has since sold off many for a total of \$875m, leaving him with a group of some 15 tightly focused, mainly European companies.

The group had operating earnings of \$50m on sales of \$1.02bn last year.

For the first nine months of this year operating earnings were \$52.7m on sales of \$810m.

Analysts expect him to use the proceeds of the share offering to pay off the remaining \$100m of buy-out debt and to help fund acquisitions, possibly in the US.

Merrill Lynch will offer 18.5m shares in the US and abroad at a target price of between \$9 and \$10.50 a share. Of the total, TLC Beatrice will sell 10.5m shares and certain of its shareholders another 8m, leaving Mr Lewis with 58 per cent of its equity.

IBM to license chip technology to Micron

By Louise Kehoe in San Francisco

INTERNATIONAL Business Machines is to license its world leading memory chip technology to Micron Technology of Boise, Idaho, one of the few remaining independent US manufacturers of dynamic random access memory (dram) chips.

The deal represents the latest move by IBM to shore up the US semiconductor industry.

It also represents a significant boost to Micron's efforts to develop 4 megabit dram technology while ensuring a close relationship with one of the largest dram purchasers in the world.

"This agreement serves IBM's objective of broadening our sources of supply for key semiconductor components, while helping to strengthen the US semiconductor infrastructure which plays such a critical role in America's competitiveness," said Mr Michael Attardo, president of IBM's General Technology Division which includes the company's semiconductor operations.

Micron will be licensed to use IBM's dram technology. IBM will provide Micron with process technology and its 4-megabit dram design, and in return Micron will pay licensing fees and assist IBM in the development of special types of memory chips.

Earlier, IBM provided its dram process technology to Sematech, the US semiconductor industry research consortium.

The company has also said it planned to license its dram technology to US Memories, a collaborative industry venture aimed at increasing US production of drams.

The agreement with Micron does not preclude other licensing agreements and talks with US Memories are continuing, IBM said yesterday.

IBM is also considering a proposal by Cypress Semiconductor, a Silicon Valley chip maker, which wants to license IBM's dram technology.

INTERNATIONAL COMPANIES AND FINANCE

Spain's insurers hit by road accident rate

Diana Smith surveys the efforts of car insurance companies to overcome their losses

Buoyant car sales and a sharp increase in road accidents threaten Spain's insurance industry with losses this year of between Pta80bn and Pta100bn (US$660bn and $830bn).

Some 1.2m new cars came on to the roads in 1988. This year is expected to set another record for sales, with an even worse accident record than 1988, when 5m claims went through insurance companies – approximately one claim for every three cars in Spain.

The majority of claims involved small accidents, but this was little consolation to insurance companies.

Repair costs generally soared more than 17 per cent last year and as the number of imported cars grows – now 31 per cent of all car sales in Spain – the cost of spare parts and repairs has escalated.

The costs not only drain the resources of insurance companies but also damage Spanish society: 93,500 people were injured and 70,000 partially or totally disabled in road accidents last year.

Some 5,000 accident victims died immediately after accidents and more later – twice the fatal or serious injury rates of Italy and better only than Portugal and Greece in the European Community.

Compensation awarded by the courts for personal injury has not only risen to meet EC directives on minimum third party risk coverage – Pta9m as of January 1 this year, Pta16m from January 1 1993 and Pta44m from January 1 1996 – it is entirely dependent on the decisions of individual judges, many of whom are making bigger and bigger awards.

There is no set criterion for compensation. Recently, awards for disability have leapt from Pta5m a few years ago to Pta20m or even Pta100m, and some claims have been lodged (but so far not granted) for Pta1bn compensation.

This meant that against Pta411bn premium income in 1988, equivalent to 13.5m policies, insurers paid out Pta340bn for road accidents – almost Pta1bn a day.

Such costs not only bite into the profits of Spain's most solid national or foreign-owned insurers, they threaten many smaller mutual companies, which are undercapitalised and specialise in insuring car drivers.

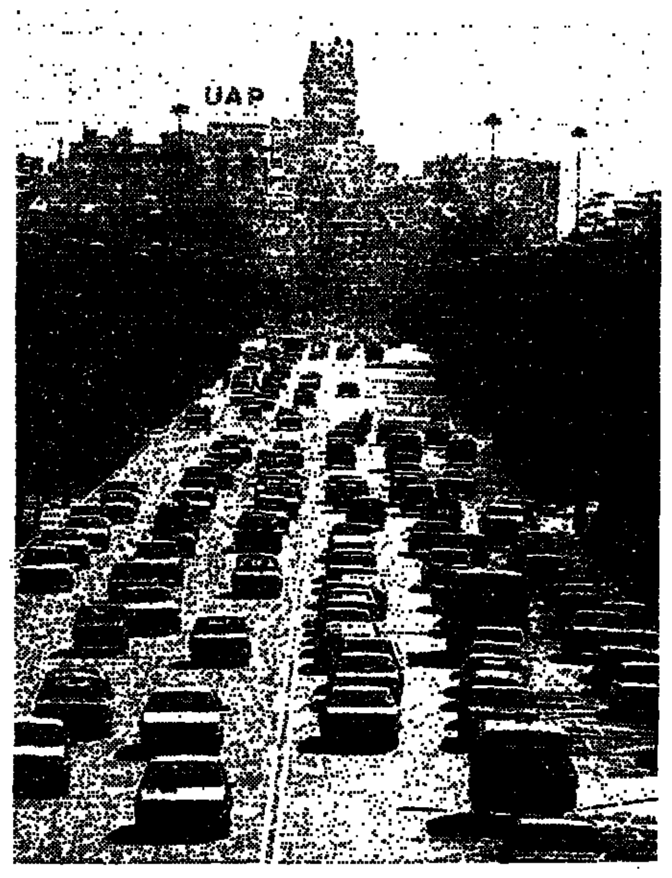
The high costs have also terrified ambitious foreign newcomers who have rushed into the Spanish market using car insurance as a quick way to build up market share.

The industry knows things cannot continue at the present, onerous rate. Singly, companies are trying to ward off the worst effects by introducing Bonus/Malus schemes, by which good drivers are rewarded and bad ones are penalised.

Winterthur, the Swiss group and Spain's largest foreign insurance company, began such a scheme five months ago and Assicurazioni Generali of Italy will introduce one in in 1990.

The schemes reject certain high-risk groups such as drivers under the age of 27, who account for 16 per cent of all Spain's drivers and 32 per cent of serious road accidents, or drivers of souped-up cars.

Companies are also protecting themselves by not seeking any more vehicle insurance business. Instead, they are simply servicing the clients they already have, reducing the share of their business which is occupied by car insurance.



Traffic in the Paseo de la Castellana, Madrid. Last year Spanish insurance companies received 5m claims.

Cajas de Seguro Reunidas (Caser), the large insurance company controlled by 70 of Spain's leading savings banks, is streamlining operations with a view to reducing costs and offering, as are other companies, sophisticated multi-risk policies at competitive (but not dumping) prices.

It now devotes only 20 per cent of its business to car insurance while Assicurazioni Generali has reduced vehicle insurance from 45 per cent to 35 per cent of its business.

Collectively, the industry is striving to tackle the road accident problem through the Agrupacion de Seguradores Automoviles – the Vehicle Insurers' Association of which Mr José Cercos, Managing Director of Winterthur España, has just been appointed chairman.

Raising premium costs, which have gone up 50 per cent in two years and may have to rise 20 per cent in the near future, is only a partial palliative, according to Mr Cercos, who says the insurance industry cannot solve the problem on its own.

Mr Cercos and the Agrupacion are pushing for more road safety education for youngsters and adults, better roads – the number and quality of which have failed to keep pace with soaring numbers of vehicles – and the rationalisation of both vehicle repair costs and hospital bills. Above all they want a more rational compensation system in the courts.

Companies cannot sustain present levels of compensation, Mr Cercos *insists*.

Even if the more solid ones encourage friendly settlement, offering clients quick, fair compensation for damages and avoiding long delays before a court case can be heard, it is not enough to offset the punitive awards sought and often won by people who choose to take their problem through the courts.

"There is a breaking point," says Mr Cercos, beyond which companies cannot increase prices.

A dangerous side-effect of increases so far is the growing number of uninsured drivers on the roads.

NZ meat group sheds 2,000 jobs

By Terry Hall in Wellington

AT LEAST 2,000 jobs are to be lost in the reconstruction of the meat freezing industry on New Zealand's North Island, following last month's sale of Waitaki Industries' interests to Affco, the Auckland-based co-operative.

The rationalisation was foreshadowed in a number of government reports which detailed huge overcapacity, due to a drop of up to 30 per cent in sheep and cattle numbers in the past four years. This followed a combination of severe drought and removal of agricultural support.

Trade unions had been prepared for job losses following substantial losses by Waitaki and other companies, and the merger with Affco which has produced a dominant meat company in the North Island.

The UK-based Vestey organisation remains a significant force, with around 30 per cent of killing capacity.

Talks are continuing for a similar restructuring of South Island meat companies.

The main casualty is the decision to close the former Borthwick plant at Waingawa at Masterton.

This is a significant blow to the region as the works, which employs 750 people, is the main industry.

Other works affected are Waitara, Feilding, Imlay at Wanganui, and Wairoa. The disused former Borthwick's plant at Longburn will not reopen.

Mr Ken Douglas, the Council of Trade Unions president, said the restructuring could have been far worse, as the original plans were to close five works.

INTERNATIONAL COMPANIES AND FINANCE

ANZ takes 8.1% of Advance Bank

By Bruce Jacques in Sydney

THE ANZ Banking Group has emerged as an 8.1 per cent shareholder in the medium-sized Advance Bank, highlighting instability on Australian banking share registers.

ANZ bought the shares from the diversified Melbourne group, Premier Investments, and now joins four other companies holding stakes of just under 10 per cent in Advance. These are Westpac Banking Corporation, the State Bank of New South Wales, Bank of New Zealand and FAI Insurances.

Analysts regard the jockeying on the Advance register as curious because, under Australian banking laws, no single party is allowed to hold more than 10 per cent of a bank's capital without specific permission from Federal Treasury.

Mr Paul Keating, the Treasurer, recently stated his opposition to bank mergers when rumours were rife of a possible deal between the ANZ and the National Australia Bank. Further, about 40 per cent of Advance's shares are held by a trust charged with maintaining the bank's independence.

But Mr John Thame, Advance Bank's managing director, pointed out yesterday that the trust's charter did not prevent a friendly merger and he remained interested in a possible deal with the State Bank of New South Wales.

Analysts believe the keen interest in Advance Bank shares reflects positioning by the larger Australian banks for a perceived new wave of industry rationalisation. But that will probably now have to wait at least until after the next federal election, now most likely in the first half of 1990.

Malay building group to take over tin concern

By Lim Siong Hoon in Kuala Lumpur

UNITED ENGINEERS, the big beneficiary in privatising Malaysia's road construction, is to take over Kinta Kellas, a tin company quoted on the UK and Malaysian stock markets.

In the acquisition, UE is to pass a 5m ringgit ($1.85m) construction management subsidiary to Kinta Kellas in return for a 96 per cent stake in the latter's share capital, which will be enlarged 20 times to 158m ringgit. Kinta Kellas will be issuing to UE 152m new shares, at 1.25 ringgit a share.

UE will sell back 25m of the shares to minority shareholders on the basis of four shares for every one held, diluting UE's stake to 80 per cent.

Kinta Kellas expects next year's gross profit from the business to be 20m ringgit.

Bond Corporation delays plan to sell brewing arm

By Bruce Jacques in Sydney

BOND CORPORATION, the troubled beer and media company controlled by Mr Alan Bond, the Australian businessman, has again extended the deadline for documentation on an integral part of its plan to sell its brewing interests for A$2.5bn (US$1.96bn).

The extension, the company's third, was announced yesterday amid widespread speculation that the brewery sale – to New Zealand-based brewer Lion Nathan – was close to collapse.

Mr Doug Myers, Lion Nathan's chief executive, said his company had agreed to an extension until November 13 for Bond to mail takeover documents for its proposed A$1.60 a share offer for its offshoot, Bell Resources.

The bid is the first step in Bond's plan to sell its Australian beer assets to Bell, which would then sell the breweries into a joint venture company with Lion Nathan.

The bid documents were originally to have been mailed by October 18, and the delays are being caused because the National Companies and Securities Commission has insisted Bond include a June 30 balance sheet in its offer for Bell.

Bond has yet to settle a number of issues with its auditors, and has been unable to finalise the accounts.

The delays have led to speculation that Lion Nathan will pull out of the brewery deal, allowing a possible counter bid from Adelaide-based SA Brewing. However, that bid may face problems from Australia's Trade Practices Commission because the country's other major brewer, Elders IXL, holds a 20 per cent interest in SA Brewing.

Lion Nathan below forecast

By Terry Hall in Wellington

BREWING and retailing group Lion Nathan yesterday announced an audited NZ$70.8m (US$41.6m) after-tax trading profit, although earnings were not as good as forecast, according to Mr Douglas Myers, the chief executive.

The figure does not include an extraordinary profit of NZ$166.8m, primarily from the the sale of Oasis Industries, the holding vehicle for the soft drinks businesses, including the Schweppes and Coca-Cola franchises.

Before Lion Corporation and L D Nathan merged 20 months ago, the group forecast sales of NZ$2.9bn for the year to March 31, but in its first full year, to August 31, sales were NZ$2.74bn. The company said no comparative revenue and figures were available because this was the group's first 12-month announcement.

Of the purchase of half Bond Corporation's brewing assets, Mr Myers said: "We knew things were never going to be easy, they are quite complex. There are others interested in Bond's brewing assets, but we believe we have the front running." Mr Myers said Lion Nathan had no problems with debt, but property assets were underperforming. These had been written down by NZ$47.3m.

Mr Kevin Roberts, the chief operating officer, said Oasis would not have been sold without a replacement franchise. The Pepsi franchise acquired three weeks ago had cost the company nothing other than NZ$50m to be spent on marketing over the next five years, the same as Lion would have spent on Coca-Cola. Pepsi would create NZ$250m in good will over the next five years.

Profits at Lion's trading division, excluding property, lifted before interest by 19 per cent.

S African brewer rises midway

By Jim Jones in Johannesburg

INTERIM trading profit before interest and tax for South African Breweries (SAB) rose to R500m ($190m) from R363m during the six months to September 30, the company said.

A rise in volume beer sales of 13 per cent and greater penetration of other mass consumer markets combined to lift turnover by 23 per cent. Pre-tax profit increased to R407m from R311m. The last financial year's trading profit totalled R1.02bn and the year's pre-tax profit was R886m.

Turnover rose to R5.8bn in the half year, from R4.7bn in the corresponding half of the last financial year and against R10.6bn in the last financial year as a whole.

However, local analysts question whether the sales growth will be maintained during the second half – the summer months when beer sales rise – as operations have been affected by a continuing strike by brewery workers.

The directors do not comment on the strike in their interim report, though they have said elsewhere the strike has not affected brewing.

Mr Meyer Kahn, the managing director, estimates spending on private consumption grew by 17 per cent in the past six months, confirming the slowdown in consumer spending in the economy as a whole. He attributes SAB's greater turnover growth rate to improved penetration of focused mass market.

He believes consumer demand will remain severely inhibited. He expects SAB's year-end earnings will grow, but at a slower rate than in the first six months.

The first half earnings advanced to 66.1 cents a share from 51.1 cents and the interim dividend has been increased to 25 cents from 20 cents. Earnings totalled 187.2 cents in the last financial year and the year's dividend was 84 cents.

Small S African bank up 27%

By Jim Jones in Johannesburg

VOLKSKAS, the smallest of South Africa's big five banking groups, lifted its disclosed interim after-tax profit by 27 per cent in the six months to September 30, in spite of what the directors describe as "intense competition." Mr Danie Cronje, the managing director, attributes the improvement to a substantial increase in non-interest income and an improvement in the quality of advances.

The bank discloses neither its interest income nor its interest payments and simply declares profits after tax and variable transfers to or from inner reserves. The disclosed taxed profit was R50m ($19m) against R39.5m in the corresponding period of 1988 and R91m for the year to March 31 1989.

Total assets were R20.8bn at the end of September against R18.4bn at the end of March while total advances rose to R12.2bn from R10.7bn.

Mr Cronje warned an economic downturn could affect the second half's performance, demand for credit could reduce and credit risks will tend to escalate. He expects considerable pressure on the profitability of the banking sector as a whole.

Japanese transport group rises 24% to Y14.6bn

By Robert Thomson in Tokyo

NIPPON EXPRESS, Japan's largest integrated transport company, reported a 24.1 per cent increase in pre-tax profit to Y14.6m ($102m) for the six months to the end of September, as domestic economic growth continued to fuel demand in the industry.

Sales for the period were Y523bn, up from Y480.4bn, while profit for the full year is expected to be Y34.8bn, a 12.6 per cent increase on last year.

The company reported a 5.9 per cent increase in sales from truck transportation, the source of 50 per cent of the total, despite a serious labour shortage in Japan.

Malaysian group's first cash call for 10 years

By Lim Siong Hoon in Kuala Lumpur

MALAYAN United Industries, the Malaysian conglomerate once reputed for its immense pool of cash assets, is calling for cash by issuing a share for every two held. On top of the 256m ringgit ($94m) rights issue, the group is also giving a bonus, again a one-for-two issue.

The cash call, at 1.50 ringgit a share, signals the start of MUI's efforts to rejuvenate itself from the shortfalls in revenues, profits, and reserves.

The share announcement came a day after MUI named Mr Malek Merican, an Oxford-trained economist and merchant banker, to the deputy chairman seat and to head the group's troubled financial division.

Some of the fresh funds, MUI said, are to be used as additional capital for two subsidiaries, MUI Bank and MUI Finance. The balance will be used to reduce debt and to cover expenditure within the group.

This is MUI's first call for cash in almost a decade. The group in 1980 was a tenth of its present size, in terms of assets. Then it started an expansion programme under Mr Khoo Kay Peng, a former bank clerk and a Pentecostal Christian. MUI's assets, worth 4bn ringgit (US$1.5bn) now, cover hotels, properties, cement, and insurance.

Trumpeted at home and abroad as a home-nourished conglomerate, MUI was somewhere between a blue chip and a speculative counter. The group's recovery from the recession in 1985, when profits also began tumbling, was sometimes uncertain. It suffered its first major net profit loss in 1987 but made a 22m ringgit gain last year.

Its two new issues will double MUI's paid-up shares to 683m ringgit, and lift its market worth to one of the top 20 Malaysian companies.

Japanese cable sales exceed forecasts

By Robert Thomson in Tokyo

SUMITOMO Electric Industries, Japan's largest maker of electrical wires and cables, announced a 15.9 per cent increase in pre-tax profit to Y12.56bn ($87m) for the first half to the end of September, after sales growth exceeded expectations.

Sales for the period rose 14 per cent to Y323.9bn, and the company revised upwards its expected full year sales figure from Y670bn to Y680bn, a 12.4 per cent increase on last year.

INTERNATIONAL CAPITAL MARKETS

Treasuries move higher as Federal Reserve eases

By Janet Bush in New York and Rachel Johnson in London

US TREASURY bonds were mixed at yesterday's mid-session as the long end of the market dipped back after Tuesday's substantial gains and the short end continued to profit from evidence that the US Federal Reserve has eased monetary policy.

At mid-session, the benchmark long bond was quoted ¾ point lower for a yield of 7.88 per cent while short maturities were quoted as much as ⅛ point higher.

The Fed's addition of reserves to the banking system when Fed Funds were trading at 8⅝ per cent triggered speculation that the Fed had lowered its target for Fed Funds to 8½ per cent in a surprise move given last Friday's strong earnings and jobs data for October.

Fed Funds opened at 8¼ per cent yesterday and then dipped a little further to trade at 8⅛.

There was speculation that money centre banks will move to cut prime rates which are now two full points above the Fed Funds rate, historically a large spread.

Southwest Bank of St Louis, which led the last round of prime rate cuts in July, announced it was lowering prime to 10 per cent from 10.5 per cent in late morning. By mid-session, no other banks had followed.

GOVERNMENT BONDS

The Fed appeared to confirm the easing move by not operating in the money market when Fed Funds stood at 8⅝ per cent.

The easing move was unexpected but re-examination of Tuesday's consumer credit figures led bond analysts to believe that these weak statistics could have been a trigger. Consumer credit grew by $606m in September compared with market expectations of a rise of $3.1bn. August's rise was also revised down.

The strong rally of Tuesday petered out as the market braced itself for the quarterly refunding, due to have been completed yesterday but postponed because Congress had failed to pass legislation raising the debt ceiling until late Tuesday night.

The new schedule is as follows: $10bn of three-year notes will be auctioned today, $10bn in cash management bills *tomorrow*, and $10bn of 10-year notes on Monday.

■ Overnight improvements in US Treasuries combined with signs that the Fed has eased credit policy inspired the UK government bond market to open up to ⅝ higher yesterday morning. Sterling's continuing firmness on the foreign exchanges and the weaker D-Mark helped longer dated bonds put on gains of up to half a point, and shorter ones to close about ⅛ up.

The December futures contract followed much the same pattern. It opened at 92.01 (after closing the day before at 91.23), peaked at 92.10, and closed at 92.07. Analysts said they were confident that political uncertainty had ceased to be a factor in market activity for the moment.

■ *In Germany*, government bonds opened unchanged to slightly higher. "Retail investors think the market has been oversold now US Treasuries are performing so well," said one trader.

The repurchase during the day caused a slight easing as the market anticipated a movement in interest rates. However, if US bonds continue to be as firm today, traders are looking for a "reasonably bullish" scenario. The December futures closed on Tuesday at 91.45, opened yesterday at 91.73, and closed below its highest trade at 91.90. The cash market, followed the futures, though retail interest during the day sparked some price rises which made the cash market seem expensive.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	104-21	+5/32	11.53	11.53	11.86
		9.750	1/98	95-09	+12/32	10.62	10.66	10.72
		9.000	10/08	93-29	+17/32	9.71	9.72	9.64
US TREASURY *		8.000	8/99	100-24	-1/32	7.89	7.90	8.03
		8.125	8/19	102-22	-5/32	7.89	7.90	8.01
JAPAN	No 111	4.600	6/98	94.6556	+0.387	5.51	5.47	5.31
	No 2	5.700	3/07	102.0486	+0.091	5.47	5.31	5.14
GERMANY		6.750	6/99	96.6000	+0.400	7.25	7.16	6.95
FRANCE	BTAN	8.000	7/94	94.3198	+0.718	9.53	9.40	9.11
	OAT	8.125	5/99	94.7300	+0.950	8.95	8.91	8.71
CANADA *		9.500	10/98	100.3750	+0.500	9.43	9.49	9.51
NETHERLANDS		7.250	7/99	97.2300	+0.460	7.66	7.55	7.36
AUSTRALIA		12.000	7/99	92.3298	-0.049	13.43	13.58	13.64

London closing, *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on November 8

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
B.F.C.E. 8¼ 94	175	99⅜	99⅝	+0⅛	−0⅛	8.49
B.F.C.E. 9¼ 95	150	103	103½	+0½	+0⅛	8.54
Brit. Tel. Fin. 9⅞ 98	250	104¼	104⅝	+0½	0	8.65
Canada 9 96	1000	103½	104	+0½	−0⅛	8.20
C.C.C.E 9¼ 95	300	102⅞	103⅜	+0½	0	8.47
C.N.C.A 9⅛ 93	150	102¼	102½	+0⅜	+0⅛	8.66
Credit National 8¼ 93	200	99⅛	99¾	+0⅛	−0⅛	8.39
[illegible]						

Average price change... On day +0⅛ on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	99⅞	100⅛	0	−0¼	6.09
Canada 5⅝ 93	80	98⅞	99⅛	+0¼	−0½	5.92
Eurofima 5 1995	20	95⅛	95⅞	+0¼	−0⅝	5.96
E.I.B. 4⅞ 93	30	96⅜	96⅛	+0⅛	−0⅝	6.06
Ireland 5⅛ 93	30	96½	97	+0⅛	−0¼	6.18
Norway 5⅛ 95	50	96⅝	96⅞	+0¼	−0⅞	5.84
Sweden 4⅝ 93	50	95⅝	95⅞	+0⅛	−0½	5.99
World Bank 5⅛ 98	10	94½	95⅛	+0¼	−1⅛	5.93
World Bank 7 94	20	103⅛	104⅛	+0⅛	−0⅝	5.94

Average price change... On day +0⅛ on week −0½

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

* No information available—previous day's price
† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.
Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; above mean rate) for US dollars. C.cpn=The current coupon.
Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Matif to join Globex electronic trading

By Deborah Hargreaves

IN A SURPRISE announcement yesterday, the Marché à Terme des International de France (Matif), said it has reached an agreement to join the Globex electronic trading system which is being developed jointly by the Chicago Mercantile Exchange (CME) and Reuters, the UK information group.

Matif initially plans to list its French Treasury bond and interest rate futures contracts on Globex where trading will take place outside exchange hours. *Matif is the only foreign exchange so far to sign up with* Globex, although other markets worldwide have shown interest.

Talks with the New York Mercantile Exchange and the Sydney Futures exchange were put on ice earlier this year as the CME discussed a link between Globex and a rival system, Aurora, which is being developed by the Chicago Board of Trade.

Mr Gerard Pfauwadel, Matif chairman, said that Matif's negotiations with the CME had been more advanced than those of other exchanges and they had continued to finalise terms while the CBT-CME link was under discussion.

Globex, which has been under development for over two years, is set to start in the first quarter of next year. The system will first carry some of the CME's financial futures and options contracts with the Matif's products being added by the third quarter.

Aside from the French products, it will initially launch on Globex, Mr Pfauwadel said. The Matif has exclusive rights to trade a list of other derivative products on the system. Some of these could compete with futures and options listed on the London International Financial Futures Exchange, which is due to start up its own after-hours screen trading system at the end of November.

The CME initially plans to list its Eurodollar, three-month Treasury bills and six foreign currency contracts on Globex.

Reuters says it currently has 260 orders for Globex terminals which will include 55 in London and 205 in the US. Matif has made a guarantee that it will take 50 terminals.

Reuters will collect a user fee of $1 for each contract traded over the system to be split equally between buyers and sellers.

Matif's decision to join Globex, which is subject to approval by French regulators, is part of the exchange's bid to become more international, according to Mr Pfauwadel. He expects French and US regulatory authorities to reach agreement soon on rules allowing French brokerage houses access to customers in the US.

Volume on the Matif has grown dramatically this year and the exchange's Notional bond contract which was introduced in January, now averages 30,000 lots a day.

● Spain's first options exchange, OM Iberica, got off to a slow start yesterday with its initial three-month Treasury bill options contract. The new exchange is operated by a subsidiary of Sweden's electronic market, OM, and modelled on similar systems in place in Scandinavia and the UK.

Cyprus plans Europaper issue

By Stephen Fidler, Euromarkets Correspondent

THE Republic of Cyprus is the *latest sovereign borrower to* use the Eurocommercial paper market, with a $100m programme arranged by Chase Investment Bank.

Dealers on the programme, which is rated P-1 by Moody's Investors Service, will also include Merrill Lynch International, Société Générale and UBS Phillips and Drew Securities. Issuance is possible in US dollars or in Ecu.

● Asko Oy, the Finnish building *and furnishings group, is* raising a $50m multicurrency term loan through Swiss Bank Corporation, London. The five-year loan, the company's first international financing, carries an interest margin of ¼ percentage point. Front-end fees range down from 8 basis points.

● Helical Bar, the UK property development and investment company, arranged a £25m sterling commercial paper programme, arranged by NatWest Capital Markets.

INTERNATIONAL APPOINTMENTS

Rothschild Group to form Canadian unit next year

AN OFFICE in Canada is to be opened early next year by the Rothschild worldwide banking and investment concern, subject to obtaining the necessary regulatory approvals.

To be called Rothschild Canada Inc, *its activities will* include corporate finance and mergers and acquisitions advisory services, and an investment advisory group.

Mr H. Garfield Emerson, Q.C., a senior partner with Davies, Ward & Beck and one of Canada's most prominent mergers and acquisitions and corporate finance lawyers, will become president and chief executive of this Canadian unit.

Serving as vice chairmen will be Mr Daniel Pekarsky, *Rothschild's representative in* Canada since 1987, and Mr Robert Pirie, president and chief executive of Rothschild Inc, US arm of the Rothschild Group.

Mr Emerson, who is 48, has worked on various committees dealing with reform and changes to Canada's takeovers and securities laws.

In 1987, Rothschild Inc established a representative office in Vancouver under Mr Pekarsky, a leading Canadian businessman. He will have a leading role in the overall Canadian *operations and maintain executive* offices in Vancouver.

Senior representatives of N.M. Rothschild (London) and Rothschild & Cie Banque (Paris) will serve as directors of the Canadian unit, together with Messrs Emerson, Pekarsky and Pirie.

Kymmene names president designate

KYMMENE, Finland's leading forest products group, named Harri Piehl as the next president. He will assume the position on July 1 next year when Gay Ehrnrooth, the current president, retires.

Mr Piehl is a member of Kymmene's executive board and chief operative officer of the Kaukas-Voikkaa division.

The board of directors has also appointed, with effect from January 1, presidents for the new subsidiaries created through the demerging of the company's domestic operations. The persons appointed are at present in charge of the operations to be transferred to the respective subsidiaries.

Mr Piehl will be president of Kaukas Oy until July 1, and then succeeded in this post by Hannu Schildt, currently vice president, commerce, of the Kaukas-Voikkaa unit.

★ ★ ★

AUSTRALIA and New Zealand Banking, one of the top three commercial banks in Australia, announced that Mr L.M. Papps has retired as a director, having reached the bank's normal retirement age for directors.

Mr M.D. Bridgeland, ANZ chairman, said that Mr Papps had made a significant contribution to the group since joining the board 13 years ago. He was appointed a founding director of the bank in Australia in 1976 following its transfer of domicile from the UK.

In 1979, he became the first chairman of ANZ Banking Group (New Zealand) when it was formed to acquire the banking business of ANZ in New Zealand.

Mr Papps is a solicitor and consultant at a New Zealand law firm, and has also been chairman of a number of public companies in the country.

★ ★ ★

QUANTUM Chemical, the leading US propane distributor and the nation's largest producer of polyethylene, a plastic widely used in packaging, containers and pipes, elected Mr Francis Brophy as vice chairman.

Mr Brophy, a 25-year veteran of the company, had been senior vice president and chief financial officer. Quantum said Mr Brophy has declared his intention to retire next year.

Mr David Lodge has become vice president and chief financial officer.

★ ★ ★

MACK TRUCKS, the US heavy-duty truck manufacturer, said that Mr Ralph Reins, the company's president and chief executive, has also been elected as chairman.

Mr Reins succeeds Mr John Curcio, who announced his resignation last month.

In September, Mr Reins became chief executive in place of Mr Curcio after Renault of France, owner of 44.7 per cent of the outstanding stock and also with warrants to buy another 17 per cent, said that Mack Trucks needed a "cultural revolution" after several disappointing quarters of earnings performance.

★ ★ ★

HUGHES AIRCRAFT, the aerospace subsidiary of General Motors of the US, stated that Mr Donald White, who served as president and chief operating officer during Hughes's transition to a publicly owned company, has decided to retire on December 1 to pursue long-standing personal plans, reports AP-DJ from Los Angeles.

Mr Malcolm Currie, chairman and chief executive of Hughes, said: "Don will not be replaced for the time being. His responsibilities will be shared by other members of the Hughes executive committee, who will work with me as a team in the overall management of the company."

● In a separate move, Hughes Aircraft elected Lt. Gen. James Abrahamson, USAF-retired, as executive vice president for corporate development.

Mr Abrahamson retired from the US Air Force in March this year, having completed a distinguished 33-year career as a pilot, astronaut, engineer and a leader of several national space programmes.

Pacific move and new president at Laidlaw

By Robert Gibbens in Montreal

LAIDLAW Transportation, the waste management and school bus affiliate of Canadian Pacific, has appointed a new president and is moving into Pacific markets.

Mr Donald Jackson, 45, takes over as president and chief operating officer from Mr Douglas Gowland, who has left the company after 21 years service. Mr Jackson joined Laidlaw last August and has wide experience in the waste management industry.

Laidlaw has opened an office in Taiwan, from which it will develop its solids and chemical waste disposal business in south east Asia.

★ ★ ★

FIRST MARYLAND Bancorp, wholly-owned US offshoot of Allied Irish Bank, announced that Mrs Margaret Heckler, who recently completed a three-year term as US Ambassador to the Republic of Ireland, has been elected to its board of directors and to the board of its subsidiary, First National Bank of Maryland.

From 1982 to 1985, Mrs Heckler held the US Cabinet post of Secretary of Health and Human Services.

A Congresswoman representing Massachusetts's 10th district from 1966 to 1982, she served on several important House committees, including the banking committee.

★ ★ ★

BANC ONE, the rapidly growing US regional banking group based in Ohio, said that Mr Frank McKinney Jr is to retire as president with effect from January 12.

Mr McKinney will no longer be active in the day-to-day management of Banc One, Banc One Indiana, and Bank One Indianapolis. He will retire as chief executive officer of Banc One Indiana, but will continue to be chairman of its board and chairman of its executive committee.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1988							
1st qtr.	107.8	110.6	31.3	117.0	116.7	2,486	248.9
2nd qtr.	109.3	112.4	32.9	118.7	122.7	2,364	256.2
3rd qtr.	110.6	115.8	32.5	120.1	128.9	2,226	244.3
4th qtr.	110.1	117.0	32.4	121.6	155.4	2,101	244.9
[illegible]							

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
[illegible]							

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
[illegible]							

FINANCIAL-Money supply M0, M2 and M4 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow £m	Cnsmr. credit £m	Base rate %
[illegible]							

INFLATION-Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100)

	Earnings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods	Reuters* cmdty.	Sterling
[illegible]							

*Not seasonally adjusted
†Net changes in amounts outstanding, excluding bank loans.

INTERNATIONAL CAPITAL MARKETS

J P Morgan raises the stakes in Europe

David Lascelles on the banking group's reorganisation of operations outside the US

Europe has a special meaning for J.P. Morgan, the parent of Morgan Guaranty of New York. It has been in the United Kingdom for 150 years, and in France for 125. It also has operations in eight other European countries, which explains why it views the forthcoming integration of the European market with a practised eye.

Morgan, which is the US's fourth largest bank and trades heavily on its quality image, has always made a point of blending in with the local scenery. In London it seems to be a British bank, sporting its City ancestry; in France it looks French in its plush quarters in the Place Vendôme; in Frankfurt the appearance has a Germanic cleanness to it.

The effect is heightened by the number of "locals" it employs. One rarely encounters Americans, even at the highest echelons.

The Morgan strategy is similar to that increasingly adopted by US banks in Europe – at least those which have turned their backs on the retail market: to go for the most sophisticated end, where banks can command high fees for providing advice and arranging complex deals for large corporate and sovereign clients. In Morgan's case, one of its competitive advantages is its widespread presence in Europe, which it claims is actually stronger than any European bank's.

But while this local connection is an undoubted strength, it is also, perversely, an obstacle, because the bank's effort gets fragmented at country level. This explains why Morgan chose earlier this year to reshape its European operations and pull them together more tightly.

Mr Eric Bourdais de Charbonnière, previously regional manager, was given a new assignment as head of J.P. Morgan's private banking group in Europe and the Middle East.

At the same time, two pan-European posts were created, one to oversee its financial advisory services, headed by Mr Walter Gubert, who is Italian, and another to oversee financing and capital markets which will be run by Mr Michael Enthoven, a Dutchman.

"There had been a need for much stronger functional links, and we are building them," says Mr Gubert.

The changeover was not altogether an easy matter. The new structure had to be pushed through against the resistance of some of the local offices who felt their independence was being curbed, according to those familiar with Morgan's internal politics.

The changes also followed one of Morgan's less happy periods in Europe, which was marked particularly by the damage it suffered at the hands of the securities markets which it deems important to its investment banking activities.

In 1987, J.P. Morgan Securities, the London-based securities subsidiary, lost $107m – a combination of losses on dealings in the gilt-edged and Euro

Walter Gubert: will oversee financial advisory services

markets. The same subsidiary lost a further $9m on gilts last year, (though London overall earned $128m), driving home the need for a clearer focus on profitable businesses. Morgan also lost three of its top London executives to British banks: Mr Fred Vinton (who went to Rothschilds), Mr David Band (BZW), and just recently Mr Richard Delbridge (Midland). Their departures are said by Morgan to be coincidental, though, rather than indicative of trouble.

Much of Morgan's European strategy is dictated by the freedom which the market gives to banks to engage in investment banking – something which is tightly limited by law in the US. "Here we are able to compete in all the businesses we want to," says Mr Gubert. "We can implement our strategy in full force."

In common with all banks, Morgan proclaims its interest in building relationships with clients rather than going for a deal. Possibly because of its more patrician image, it is able to make this claim without attracting quite the same sneers as other banks.

"Those are not just empty words. We have had to make some difficult decisions," says Mr Gubert, who cites an (unnamed) European client who recently took Morgan's advice not to go ahead with a major acquisition in the US.

Although much of Morgan's European advisory business is cross-border with the US, it particularly wants to get a reputation for handling deals between European companies.

Thus, while it advised on the SmithKline Beecham merger, and on Michelin's acquisition of Uniroyal Goodrich, it also helped Pearson in its acquisition of *Les Echos*, and is adviser to National & Provincial, one of the UK building societies contemplating conversion to bank status.

Mr Gubert expects to see a far-reaching corporate restructuring in Europe, almost regardless of what happens to Brussels' plans for 1992. "There are too many car companies, too many steel companies. European industry has got to change."

On the securities side, there is a more of an air of caution. Mr Enthoven denies that this summer's new structure was prompted by the losses so much as a desire to take a more global view. Even so, he says Morgan does not intend to go "head over heels" into the securities business, but is focusing on complex products in major markets.

Although Morgan contemplated buying a UK stockbroker – Wood Mackenzie – before Big Bang two years ago, it eventually decided to abide by its policy of growing all its new businesses itself. But it made an exception in Paris, where it bought a stockbroker, Nivard-Flornoy.

"It was a matter of buying now or waiting till complete deregulation in 1992 and possibly missing an opportunity. So we bought," says Mr Jorgen Wagner-Knudsen, senior vice president in the Paris branch. But he thinks it was a wise decision because it gave Morgan an equity capability in France and strengthened links with investors.

The Paris branch is one of Morgan's most profitable in Europe, according to Mr Didier Cherpitel, the general manager, and last year earned 15 per cent of Morgan's $280m after-tax profits on the Continent.

But a question for the London end is whether to keep the loss-making gilt-edged dealing business: "We have to keep reviewing it," says Mr Gubert.

Morgan is reasonably optimistic that US banking regulations will be eased further soon, opening the way for it to build fully-fledged securities activities in the US as well.

But in the meantime, the changing structures of the European market, and its strong position there, probably offer it its most interesting opportunities.

Call to strengthen Switzerland as a financial centre

SWISS BANK Corporation yesterday called for more official backing to strengthen Switzerland's position as a financial centre, **Reuters** reports.

Mr Walter Frehner, chief executive, said: "Together with other banks we have made big efforts to strengthen Switzerland as a financial centre. But our endeavours have not found the necessary support from the authorities and political bodies."

He said Switzerland was indulging in a banking policy marked by flagrant contradictions. He cited the following examples:

- The Cartel Commission demanded total price competition. Yet the government was proposing interest rates should be subject to its control.
- The banks were being urged to reform the stock market system. On the other hand, elimination of the anachronistic stamp duty was systematically delayed.
- The National Bank's monetary policy had led to sharply higher interest rates. But the highest authorities in the land described any adjustments in bank interest rates as unnecessary and undesirable.

Mr Frehner said it was mistaken to think that to make Switzerland more competitive as a financial centre it was sufficient to subject banks to greater competitive pressures.

"A characteristic of Europe's modern internal market is precisely its enormous mobility. The other countries are ready and eager to build market share at Switzerland's expense," he said.

Mr Frehner said Switzerland could either face up to the tougher international competition, which would be SBC's preference, or confine itself to its traditional home market.

But if the country was to remain competitive, it was essential that the national regulatory environment be adapted to meet the new requirements, he said.

He noted that Swiss Finance Minister Mr Otto Stich, when asked in a recent interview whether bank customers might not go abroad if the stamp duty was not repealed, had replied: "Let them."

SBC yesterday also criticised the price of share issue planned by Co op, the troubled West German retailing group. Mr Frehner said it had not yet been decided whether his bank would participate in the capital increase.

He said the issue conditions had been determined against the vote of Co op's four shareholder banks, SBC, Amro Bank, Security Pacific and Svenska Handelsbanken. "In our opinion, the premium is much too high and in particular makes it impossible to take account of the interests of the small shareholders," Mr Frehner said.

- Mr Andrew Large, appointed to the executive board of Swiss Bank Corporation in 1987, will leave the bank at end of next month.

Turkey $250m, six-year issue has mixed reception

By Andrew Freeman

BUSY NEW issue activity on Eurobond markets yesterday failed to dispel ongoing gloom among traders. None of the deals flew out of the window, while several needed steady price support from the lead manager. Investor demand retained its patchy character.

The Republic of Turkey launched a $250m deal via Sumitomo Finance. The bonds offered a 9¾ per cent coupon and were priced to yield 190 basis points over the equivalent US Treasury. The six-year maturity was the longest yet attempted by Turkey, and the issue had a mixed reception from European investors.

However, Sumitomo is understood to have done extensive pre-selling of the issue in Japan, where corporate and retail accounts expressed steady interest. The paper was trading at less 1⅝ bid, well inside full fees of 1.95 per cent.

Bond traders said much of the paper had been asset swapped and placed in Japan on a fixed-yen basis. The yields achieved were said to be around 7 per cent.

Seasoned Eurodollar bonds had a mixed session, with spreads over Treasuries largely unchanged. Longer maturities fell back by around ⅛ point after their strong performance on Tuesday. The recent Province of Alberta deal traded at 100.52 bid, a spread of around 49 basis points over Treasuries.

Goldman Sachs brought a C$150m 10-year deal for the **European Investment Bank**, and ran into criticism for its handling of the syndication. The issue was nominally launched as a fixed-price reoffering, with the price set at 99.90 to yield some 50 basis points over Canadian government bonds.

However, Goldman broke the syndicate within minutes of launch, claiming that some co-managers had offered paper below the reoffer level. The bonds immediately traded down to 99.70 bid, just inside full fees of 25 basis points and implying a spread against Treasuries of around 55 basis points.

Traders said the paper had been tightly priced at the reoffer level, citing an existing nine-year EIB issue which was trading on a spread of around 49 basis points. They questioned the need for a reoffering in view of Goldman's decision to break syndicate so quickly.

Nevertheless, there was some demand for the bonds, particularly from German mutual funds. Proceeds were swapped into fixed-rate French francs by Credit Lyonnais to achieve a funding rate of around 45 basis points over French government bonds.

Merrill Lynch brought a C$120m three-year issue for **Procter & Gamble** offering a yield of 75 basis points over government bonds. The paper traded just inside 1¾ per cent fees, quoted by Merrill at less 1.35 bid.

However, traders said there was intermittent demand and that the deal would take time to place. Proceeds were said to be swapped into floating-rate US dollars, although Merrill would not comment.

An Ecu100m five-year issue for **Oesterreichische Kontrollbank** launched by Merrill also had an average reception, trading at a discount equivalent to full fees amid lack of demand. The bonds offered switching opportunities, with the 9½ per cent coupon attracting favourable comment.

A £75m 10-year issue for **Eurofima** was brought by Credit Suisse First Boston to a slow reception. The bonds were reoffered at 99.55 to yield around 56 basis points over gilts. Several houses declined, saying the terms were too tight. There were reports that the reception was dented by the coincidence of another house taking soundings for a similar maturity deal at a more generous spread.

In Switzerland, there were no new issues and grey market trading was mixed. The SFr100m SAS deal rose to less 1 bid, before closing at less 1⅛ bid, up ⅛ point on the day.

Two issues traded on the secondary market for the first time. The World Bank SFr100m 6 per cent issue traded at 99½ bid, against a 101¼ issue price. The Hokkaido Takushoku Bank SFr100m public convertible traded at 99½ bid, well above its grey market level.

Elsewhere, traders reported a continuing collapse of prices of Matador bonds as sentiment was hit by technical factors and speculation about currency weakness. The recently issued EIB Pta15bn 11.40 per cent issue was trading at 94⅝ bid, way below its issue price of 101⅜. Other issues have fallen by between 2 and 3 points this week.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Turkey, Republic of(a)◆	250	9¾	100	1995	1.95/1¼	Sumitomo Finance Int.
CANADIAN DOLLARS						
European Investment Bank(a)◆	150	10⅛	99.90	1999	25/20bp	Goldman Sachs Int.
Procter & Gamble Co.(a)◆	120	11	101.60	1992	1⅜/⅞	Merrill Lynch
STERLING						
Eurofima(a)◆	75	11⅞	99.55	1999	35bp	CSFB
ECUs						
Oest. Kontrollbank(a)◆	100	9½	101⅞	1994	1⅞/1¼	Merrill Lynch Int.
European Investment Bank(d)◆	60	9	101.35	1999	2/1¼	IBJ Int.
YEN						
Abbey National(b)◆	30bn	6⅜	101⅛	1993	1⅜/⅞	Daiwa Europe
Flash 10 Ltd.(c)◆	2.84bn	5¾/6	(c)	1994	1⅝/1⅛	Sanwa Int.

◆Final terms. a) Non-callable. b) Issue increased from Y20bn. Non-callable. c) Launched in two tranches: Y1bn paying 5¾% at 101⅝ and Y1.84bn paying 6% at 102⅝. d) Fungible with bond launched in April and increased in May to make Ecu225m. Issue price plus accrued interest. Non-callable.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wednesday November 8 1989: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Tue Nov 7: Index No.	Mon Nov 6: Index No.	Fri Nov 3: Index No.	Year ago (approx): Index No.
1	CAPITAL GOODS (207)	890.26	+1.5	12.49	4.76	9.80	27.91	877.04	873.08	872.13	819.17
2	Building Materials (29)	1064.74	+2.6	14.80	5.21	8.44	35.83	1038.14	1037.89	1036.53	1038.01
3	Contracting, Construction (37)	1406.77	+1.9	17.49	5.50	7.46	55.10	1380.22	1383.80	1381.43	1587.88
4	Electricals (10)	2535.38	+1.1	10.88	4.90	11.55	68.90	2506.79	2502.56	2491.73	2376.32
5	Electronics (30)	1977.58	+1.3	9.32	3.72	13.82	50.67	1952.50	1933.53	1933.91	1745.34
6	Mechanical Engineering (53)	469.62	+1.8	11.93	4.79	10.20	14.68	461.10	459.25	460.25	432.61
8	Metals and Metal Forming (6)	462.77	+0.8	22.21	6.47	4.96	16.13	459.09	455.68	458.05	514.41
9	Motors (18)	364.89	+0.6	10.94	4.76	10.72	11.79	361.98	363.00	363.14	285.69
10	Other Industrial Materials (24)	1655.92	+0.9	9.97	4.52	11.82	51.93	1640.90	1624.60	1613.32	1367.59
21	CONSUMER GROUP (184)	1253.02	+1.0	8.80	3.54	14.28	27.90	1240.22	1239.32	1242.30	1070.37
22	Brewers and Distillers (23)	1403.95	+1.5	9.32	3.51	13.43	28.11	1382.97	1379.44	1383.56	1155.32
25	Food Manufacturing (20)	1097.72	+0.5	9.34	3.91	13.51	25.28	1091.76	1089.43	1096.84	965.14
26	Food Retailing (14)	2314.61	−0.3	9.08	3.83	14.56	44.25	2320.95	2302.37	2305.20	1842.54
27	Health and Household (14)	2502.02	+1.0	6.26	1.91	19.82	40.54	2476.69	2483.85	2495.90	1854.46
29	Leisure (34)	1579.62	+1.6	8.26	3.63	14.92	37.32	1554.74	1544.25	1539.97	1426.94
31	Packaging & Paper (15)	531.16	+0.7	11.30	5.60	11.04	16.17	527.60	531.62	531.22	554.02
32	Publishing & Printing (18)	3607.56	+1.0	8.96	4.80	14.31	107.68	3570.80	3572.66	3578.92	3457.74
34	Stores (32)	778.90	+1.6	10.96	4.74	11.89	21.68	766.88	770.15	769.91	736.11
35	Textiles (14)	511.91	+0.6	11.16	5.74	10.87	15.85	509.01	510.98	509.97	588.56
40	OTHER GROUPS (94)	1108.64	+1.1	10.58	4.62	11.46	27.58	1096.05	1092.57	1093.15	906.41
41	Agencies (17)	1495.89	+0.7	7.05	2.42	17.48	25.29	1485.94	1490.31	1493.63	1081.28
42	Chemicals (22)	1184.20	+0.9	12.66	5.29	9.30	43.50	1173.74	1166.70	1170.30	1051.39
43	Conglomerates (14)	1616.47	+1.9	10.58	5.27	11.16	36.04	1585.92	1564.89	1561.27	1252.26
45	Transport (13)	2160.59	+1.0	10.33	4.34	12.37	56.50	2139.19	2145.76	2119.34	1945.24
47	Telephone Networks (2)	1062.86	+0.8	11.41	4.65	11.43	22.38	1054.53	1050.50	1054.07	979.02
48	Miscellaneous (26)	1827.58	+1.3	9.49	4.50	11.89	44.84	1803.28	1808.99	1815.99	1228.52
49	INDUSTRIAL GROUP (485)	1132.87	+1.2	10.25	4.16	12.04	28.73	1119.60	1116.93	1118.03	975.21
51	Oil & Gas (15)	2139.26	+0.6	10.12	5.30	13.05	87.50	2127.22	2128.77	2134.02	1742.48
59	500 SHARE INDEX (500)	1217.63	+1.1	10.23	4.32	12.17	33.53	1204.38	1202.03	1203.46	1040.58
61	FINANCIAL GROUP (121)	765.91	+1.2	–	5.44	–	28.35	756.85	750.41	748.11	688.46
62	Banks (9)	759.99	+0.5	22.70	6.58	5.79	35.17	756.00	750.17	753.28	665.96
65	Insurance (Life) (8)	1283.20	+2.4	–	4.94	–	47.56	1253.43	1248.16	1250.45	969.14
66	Insurance (Composite) (7)	655.82	+2.0	–	5.76	–	28.34	643.14	633.98	634.14	528.91
67	Insurance (Brokers) (7)	1096.88	+2.3	6.86	5.73	19.40	45.26	1071.81	1049.60	1039.87	939.52
68	Merchant Banks (11)	424.34	+0.5	–	3.98	–	9.70	422.18	421.41	399.72	358.03
69	Property (49)	1173.81	+1.2	7.64	3.50	16.54	22.74	1159.96	1151.38	1143.16	1241.95
70	Other Financial (30)	322.80	+0.5	12.29	6.64	10.60	13.34	321.18	318.12	316.32	368.78
71	Investment Trusts (69)	1205.42	+1.2	–	2.90	–	21.61	1190.83	1191.53	1190.22	939.93
81	Mining Finance (1)	698.01	+1.5	10.71	3.86	10.50	22.25	687.75	677.48	676.20	568.30
91	Overseas Traders (7)	1398.61	+0.8	9.92	5.78	11.56	49.80	1387.68	1376.23	1363.25	1429.83
99	ALL-SHARE INDEX (698)	1109.88	+1.1	–	4.45	–	31.96	1097.59	1094.19	1094.54	954.19

	Index No	Day's Change	Day's High (a)	Day's Low (b)	Nov 7	Nov 6	Nov 3	Nov 2	Nov 1	Year ago
FT-SE 100 SHARE INDEX♦	2203.8	+25.6	2203.9	2193.8	2178.2	2169.6	2173.1	2154.1	2160.1	1825.7

FIXED INTEREST

	PRICE INDICES	Wed Nov 8	Day's change %	Tue Nov 7	xd adj. today	xd adj. 1989 to date
	British Government					
1	Up to 5 years	116.76	+0.17	116.64	0.08	10.50
2	5-15 years	130.48	+0.44	129.91	–	11.60
3	Over 15 years	139.29	+0.56	138.52	–	12.71
4	Irredeemables	157.27	+0.54	156.43	–	13.42
5	All stocks	128.45	+0.37	128.01	0.03	11.52
	Index-Linked					
6	Up to 5 years	139.35	+0.15	139.14	–	2.79
7	Over 5 years	138.46	+0.34	137.99	–	3.21
8	All stocks	138.41	+0.32	137.96	–	3.15
9	Debentures & Loans	107.61	+0.11	107.49	–	9.19
10	Preference	86.37	....	86.37	–	5.26

	AVERAGE GROSS REDEMPTION YIELDS		Wed Nov 8	Tue Nov 7	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	9.95	9.96	9.80
2		15 years	9.66	9.72	9.29
3		25 years	9.58	9.63	8.95
4	Medium Coupons	5 years	11.01	11.09	10.20
5		15 years	10.02	10.09	9.51
6		25 years	9.69	9.75	9.17
7	High Coupons	5 years	11.13	11.21	10.34
8		15 years	10.23	10.30	9.62
9		25 years	9.83	9.89	9.23
10	Irredeemables†		9.65	9.71	8.87
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.65	3.69	2.84
12	Inflation rate 5%	Over 5 yrs.	3.62	3.64	3.56
13	Inflation rate 10%	5 yrs	2.83	2.87	1.74
14	Inflation rate 10%	Over 5 yrs.	3.45	3.47	3.39
15	Debs & Loans	5 years	13.77	13.79	11.72
16		15 years	12.32	12.37	11.03
17		25 years	11.90	11.91	10.70
18	Preference†		10.70	10.70	10.06

♦Opening index 2196.4; 10 am 2197.7; 11 am 2199.5; Noon 2198.3; 1 pm 2196.6; 2 pm 2196.0; 3 pm 2199.1; 3.30 pm 2201.0; 4 pm 2202.8 (a) 10 15am (b) 9.34am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p. Funding 5¼ % 1987-1991 has been excluded from the calculation of low coupon gilt yields since 20/10/1989.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	97	1	5
Corporations, Dominion and Foreign Bonds	18	0	23
Industrials	559	222	820
Financial and Properties	310	72	291
Oils	31	19	44
Plantations	0	0	10
Mines	85	12	74
Others	82	67	112
Totals	1,182	393	1,379

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price	+or−	Net Div	Times Cov'd	Gross Yield	P/E Ratio
–	F.P.	–	65	51	Abtrust New Dawn B Wts	65	+2	–	–	–	–
§§75	F.P.	–	83	83	♦Air London 5p	83		R2.25	2.5	3.6	12.6
420	F.P.	–	25½	21	*Axles of Distinction 5p	21½		–	–	–	–
†	F.P.	–	100	95	♦Bedfield Devlpmts 50p	100		1.8	5.9	2.4	9.3
§100	F.P.	–	128	100	♦Boxmore Intl.10p	123xd		u5.2	1.9	5.6	11.9
§§82	F.P.	–	91	86	♦CIA Group 5p	88		R2.5	3.6	3.7	10.0
Ir56	F.P.	2/11	71	56	♦Cambridge Grp. Ir5p	66	−2	dQ7½%	14.8	0.5	17.0
100	F.P.	–	103	93½	Drayton Asia Trust 10p	99		–	–	–	–
–	F.P.	–	58	46	Do. Warrants	58		–	–	–	–
†	F.P.	–	865	700	♦Elan Corpn. Ir4p	700		–	–	–	66.1
50	F.P.	8/11	53	40	♦Essex Furniture 5p	44		u1.88	2.3	5.9	9.9
707	F.P.	–	905	873	Euro Disneyland FFr10	905	+24	–	–	–	–
Ir96	F.P.	20/10	95	83	♦FBD Hldgs. Ir50p	90		uQ3.2%	5.2	1.5	12.9
§10.1	F.P.	–	650	643	Genesis Chile Fd. 1c	643	−7	–	–	–	–

FIXED INTEREST STOCKS

RIGHTS OFFERS

a Amount … Allotment price.♦ Unlisted securities market.♠ Official London listing.□ Including warrants entitlement.* Third Market. ‡ Price at suspension. ** Units comprising 12 ord & 5 warrants attached.

LONDON TRADED OPTIONS

THE modest turnover on the UK stock market again led to a relatively quiet day in traded options, though the gains posted in equities prompted a recovery in FT-SE 100 index option activity.

Stock options accounted for the bulk of the day's business, with Hanson still the busiest.

The recent rise in the gold price continued to lift Hanson, with its shares up 5p at 223p. Hanson options traded 2,452 lots, of which 2,001 were calls and 451 puts. The May 220 call series was the busiest, trading 1,100 contracts.

Interest in Polly Peck was prompted by news of its disposal of its Far Eastern textile division.

Buyers of calls were noted, as some investors were said to be hoping for further gains. Polly Peck traded 1,514, of which 1,187 were calls and 327 puts. The March 380 call series was the busiest, trading 505 contracts.

Bid speculation triggered modest activity in Scottish & Newcastle. In the underlying market, shares rose on a bear squeeze. The option market turned over 770 contracts, which was divided between 715 calls and 55 puts. Elsewhere, the approach of BP's third-quarter earnings figures this morning, spurred interest. BP traded 809 contracts, which was divided between 784 calls and 25 puts.

The FT-SE options bounced back from the thin turnover earlier in the week, prompted by gains in the futures market. The FT-SE December futures contract opened at a 13-point premium to the cash market, and at one stage it extended this to 26 points, as the futures market rose on a lack of sellers. The futures market closed at a 22-point premium.

The reaction in the options market to the gains in the futures market was mixed. There were worries that the equity market's advance had been narrowly based. On the other hand, dealers pointed to the US stock market, which had clawed back most of Monday's losses.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons (*463)	460	30	46	55	22	30	37
	500	14	29	37	50	55	62
Utd.Biscuits (*358)	330	43	55	63	6	9	12
	360	21½	35	45	16	21	23
STC (*268)	260	22	30	40	7	14	17
	280	13	19	28	18	25	27
Salisbury (*256)	240	25	36	41	4	6	8
	260	12	22	27	13	14	16
Shell Trans. (*422)	390	47	58	65	5	12	14
	420	27	37	47	13	24	25
	460	8	16	25	40	42	45
Storehouse (*106)	110	7	11	15	10	12	15
	120	4	7½	11	18	19	20
Trafalgar (*339)	330	–	33	38	–	17	24
	347	13	–	–	25	–	–
	360	–	20	25	–	35	42

Option		Calls Nov	Calls Jan	Calls Apr	Puts Nov	Puts Jan	Puts Apr
ASDA Grp. (*138)	130	13	19	24	2½	6	9
	140	6	13	19	6	10	13

TRADITIONAL OPTIONS

- First Dealings Nov 6
- Last Dealings Nov 17
- Last Declarations Feb 8
- For settlement Feb 19

For rate indications see end of London Share Service

Calls in: **Business Tech., Control Secs., Mountleigh, Leisure Invs., Hanson Wts., AT Trust, Grootvlei, Pavilion, Bennett & Fountain.** Put & Call: **Angla Secure Homes.**

HOW TO RUN A BANK FOR PEOPLE WHO CREATE WEALTH

The American Express Bank is organised around the individual whose wealth is the product of personal enterprise.

How we serve such clients is as important as the services we provide.

Here are the principles that guide our managers in 105 offices in 42 countries.

***OUR MISSION IS TO SERVE** today's most successful people and their businesses, around the world, around the clock.*

Our clients are creators of wealth. They have little need of bankers who are passive stewards.

Instead, they will seek out the bank that is most ambitious on its clients' behalf, that is most successful for its clients, and, above all, the most responsive.

Excel in all these qualities, and your office will prosper.

THE MOST SUCCESSFUL PEOPLE ON EARTH

In your dealings with clients, mould your organisation to the client's own. Recognise and respect a client's ties with other banks. Heed those who counsel your clients.

Don't take on a new client unless you can pledge your top people. Make it a policy to *exceed* expectations.

Never preach to your clients. Learn from them. They are among the most successful people on earth.

Get to know each client like family. The client who is audacious in business life may shun risk when choosing investments for his private account.

Don't oversell. Promise only what you can deliver, and deliver quickly. Make security your passion. Guard client confidences like the Crown Jewels.

24-HOUR CLOCKS

American Express Bank maintains offices in 19 time zones, united by a highly secure electronic nervous system. We are a financial engine that runs on a 24-hour clock.

These four product families—Commercial Services, Savings and Investments, Special Transactions, and Treasury Services—are the soul of our enterprise. Make them your focus.

It is no accident that they mesh so neatly with the personal, commercial, and entrepreneurial needs of our clients.

◇ Currency traders positioned around the globe assure our clients of 24-hour access to foreign exchange and Treasury Services at highly competitive rates.

◇ Our specialists in asset finance, real estate, and other disciplines keep their bags packed. They can be at a client's side inside a day.

◇ Timely information is often more valuable than gold to our clients. Not at all by chance, American Express Company is the largest private user of telecommunications services on earth.

◇ When tragic floods in Bangladesh left *30 million* homeless, bank staff often had to swim to work. American Express Bank stayed open as usual, serving its clients.

AN ELITE CORPS

In recruiting, be patient. American Express Bank is an elite corps. Hire only those who can *enhance* our reputation. They are rare birds. Seek out those few who combine these traits:

1.
Character. Cast-iron integrity, brains, energy, stamina, and grace under pressure.

2.
Verve. We admire activists who are willing to break some china within the Bank in order to be effective for their clients.

3.
Entrepreneurship. We reward those whose solutions to one client's needs create fertile opportunities for other clients.

4.
Unselfishness. Every Account Officer must be a "switchboard" connecting each client with *whoever* will best serve his needs.

5.
Resilience. People who thrive on weeks of sustained effort, and who display a genius for keeping up with change.

"We will often engineer a product specifically for a private client," says one executive. "So the fit is exact. And with each new investment we create, our own horizon expands. Creativity feeds on itself."

HOW TO GROW SMARTER

It is the duty of every Senior Manager to apply unremitting pressure to maintain our standards in every area.

Never permit internal matters to distract your attention from client affairs. Delegate administrative tasks. See to it personally that your clients are *happy,* not merely content.

Spend at least half your time outside your office, among clients. You'll be amazed at how much smarter you become.

Your office is like a ship. It will move faster when you scrape the barnacles off its bottom. Eliminate obsolete services and redundant departments. Banish committees.

Never forget for an instant that when your clients trust your people they are really trusting *you.* You are the captain of the ship.

Eradicate intolerance in any form. Ditto parochialism. We are international bankers, not village bureaucrats.

Respond instantly to requests from other offices and your own requests will receive equal attention.

Create an atmosphere of intelligent ferment within the Bank. Make life exciting. Those who cannot thrive on change have no business in banking today.

AMERICAN EXPRESS

AMERICAN
EXPRESS
BANK

Argentina	*Canada*	*Germany*	*Ivory Coast*	*Mexico*	*Philippines*	*Turkey*
Austria	*Cayman Islands*	*Greece*	*Japan*	*Monaco*	*Singapore*	*United Arab Emirates*
Bahamas	*Chile*	*Hong Kong*	*Korea*	*Netherlands*	*Spain*	*United Kingdom*
Bahrain	*China*	*India*	*Lebanon*	*Nigeria*	*Sri Lanka*	*United States*
Bangladesh	*Egypt*	*Indonesia*	*Luxembourg*	*Pakistan*	*Switzerland*	*Uruguay*
Brazil	*France*	*Italy*	*Malaysia*	*Panama*	*Taiwan*	*Venezuela*

It is the custom of American Express Bank's most senior people to meet with prospective clients. To arrange an introduction, please contact the head of office in any one of these 42 countries.

Forsyth brothers resign from Leisure Investments

By Andrew Bolger

A GAMBLE by two brothers to take their small company, Leisure Investments, into the big time ended yesterday with their resignations from the troubled group.

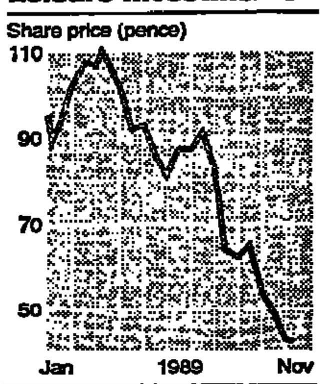
Mr Stephen Forsyth was chairman and Mr James Forsyth a director of the company, which last November paid £170m for Mr Peter de Savary's LandLeisure group.

Leisure Investments said yesterday: "The Forsyth brothers believe that it is in the best interests of the company that they should step down from the board following the failure of their strategy of casino-led growth in the UK and overseas."

Mr Edward Vandyk, the group's recently appointed chief executive, stressed that the Forsyths' departure was amicable. Leisure Investment shares, which last year were over 110p, closed yesterday at 42½p, up ½p.

Leisure Investments also announced yesterday that it intended to sell off Lingfield Park golf and racecourse complex in Surrey. Lingfield, which this month saw the opening of an all-weather race track, is likely to fetch over £20m.

Leisure Investments



The company has already sold the freehold of Aspinall's, one of its three London casinos, for £40m to an unnamed foreign purchaser. It has also exchanged contracts to sell its other two London casinos, the Barracuda Club and the Park Tower, to First Hamblin, the private Midlands group, for £30m. Interest has also been expressed in the company's casinos in Istanbul, Cairo and Gibraltar.

Once all these disposals are completed, Leisure Investments is likely to end up with no net debt and a market capitalisation of about £80m. Mr Vandyk said that under its new chairman, Mr Andrew Love, the company would concentrate on developing its health interests, which include Ragdale Hall in Leicestershire.

Analysts said the Forsyth brothers had paid top prices for casinos at a time when bigger groups were getting out of the sector, because of a dearth of the so-called "high-rollers" who inflated casino profits in the 1970s and early 1980s. A Gaming Board review also raised questions as to whether the company would keep Aspinall's licence.

In the half-year to June 30, Leisure Investments made a pre-tax profit of £2.1m on turnover of £53m. Profit forecasts by analysts have been downgraded from about £30m to as low as £16m, most of which will come from property disposals.

Clydesdale Bank nears £60m

By James Buxton, Scottish Correspondent

PRE-TAX PROFITS of Clydesdale Bank, the Scottish clearer which National Australia Bank bought from the Midland Bank in 1987, reached £58.7m for the year to September 30 1989.

When the bank's 1988 pre-tax profits, which were for a nine-month period, are annualised at £39.7m this represents a jump of 48 per cent.

Mr Richard Cole-Hamilton, chief executive, ascribed the improved financial performance partly to trading conditions and to improvements in the running of the bank following the Australian takeover. But he indicated that NAB's original ambitions for Clydesdale have been scaled down.

Mr Cole-Hamilton said the bank had benefited from the 4 per cent increase in average base rate over the year, while the charge for bad debts fell from £12.7m in the comparable period to £8.4m in the full year.

Clydesdale's total assets grew by 21 per cent to £4.3bn at the end of the year.

Mr Cole-Hamilton said the results, the best in the bank's history, represented a "change of gear." But he doubted whether it would be possible to repeat the 48 per cent jump in profits next year, nor the drop in bad debts.

The Clydesdale had been severely restricted during its last years under the ownership of the Midland because of the London bank's own difficulties. Mr Ritchie Robertson, general manager of retail banking, said that morale in the bank had never been higher.

When NAB took over Clydesdale, along with the Northern Bank in Ulster and the Northern Bank (Ireland), it said that Clydesdale would be "the spearhead" for an assault on the English market and later on Europe.

But Mr Cole-Hamilton said yesterday that NAB's expansion plans for England were likely to complement the Clydesdale rather than be directed by it. NAB is known to be interested in buying Yorkshire Bank, the regional bank owned by four clearing banks, which is up for sale, and has often expressed interest in buying an English building society.

Mr Cole-Hamilton said that if NAB made either of these moves Clydesdale would wish to sell appropriate financial services products through whatever branch network NAB acquired and offer its corporate customers a wider branch network.

His remarks imply that for the foreseeable future the bulk of Clydesdale's business is likely to be confined to Scotland.

Mystery stake built in Morgan Grenfell

By Richard Waters

A MYSTERY stakeholder in Morgan Grenfell emerged yesterday as the market continued to look for a bidder for the beleaguered UK merchant bank.

Barings Securities announced that it had bought 100,000 shares at 400p each for Delaporte Establishment on October 31, taking that group's total holding to 2.23 per cent. It described Delaporte in its announcement as a "French group", though it was unable later to confirm this.

Barings' corporate finance arm, which is advising Morgan on its search for a white knight, said later that it had been unable to establish anything about the identity of Delaporte. Barings was called in after the announcement two weeks ago that Banque Indosuez had taken a near-15 per cent stake in Morgan, and intended to take this to 25 per cent.

The emergence of the Delaporte stake came as Hanson disclosed that it had reduced its holding in Morgan to 2.42 per cent, with the sale of 650,000 shares.

Another large shareholder, Deutsche Bank, with 4.99 per cent, refused to comment on its intentions yesterday as its name continued to be linked to Morgan.

Previous flurries of bid rumours around Morgan had brought declarations from Deutsche that it intended neither to increase nor decrease its stake, but it was unwilling to repeat these yesterday.

Abbey silent on French buy rumours

Abbey National last night refused to comment on press reports that it is about to make its first acquisition since its flotation last June by purchasing Ficofrance, a French mortgage company which has a £400m mortgage book.

Analysts said Ficofrance would be likely to fetch about £40m, but that Abbey National was probably not planning a straightforward takeover but may seek to enter the French market with a partner.

Tony Clegg: Sold stake under health and financial pressures

Tony Clegg's deals in Mountleigh shares

October 1988 - sells personal stake of 5.4 per cent to consortium of directors, of which he is a member, for 180p a share.
November 1988 - consortium sells the 5.4 per cent stake to SASEA Holding of Geneva at 200p a share.
February 1989 - buys 0.2 per cent on market at 165p.
March 1989 - buys 14.1 per cent from SASEA at 180p a share.
May 1989 - obtains option on 7.6 per cent held by Newcombe Investments, subsidiary of Organizacion Diego Cisneros of Caracas, at 180p a share.
November 1989 - sells stake to Mr Nelson Peltz and Mr Peter May for 200p a share and option for 20p a share.

Peter May (left) and Nelson Peltz: Giving Mountleigh a new role as an instrument to buy into undervalued European assets

Opportunists close Clegg chapter

Paul Cheeseright on Mountleigh's future under its new controllers

FOR TWO days it seemed like old times before the equity market crash: a bouncing share price in anticipation of, and in reaction to, a new deal. But for Mountleigh, the property group, the latest market movements look more like a last throw.

Mountleigh, indeed, looks set for a period of rapid change that may well take it out of the property industry – its assets sold off – and into a new role as the instrument used by Mr Nelson Peltz and Mr Peter May to buy into undervalued European assets.

The two American businessmen, self-acknowledged opportunists, plan to diversify Mountleigh's activities: "If we see value, hopefully we will seize on that value." But, said Mr Peltz, "I don't know what industry we might be in."

The Peltz and May partnership has taken effective control of Mountleigh, with 22.5 per cent of the equity, but claims to know little of the assets in the company beyond what has been published. But, "if there are assets which need to be sold, they will be," said Mr Peltz.

So, the company that Mr Tony Clegg created out of an old textile mill – first a property trader and latterly an aspirant development and investment company with a Spanish department store chain – will change course again.

The market knew something was in the air.

The share price went up 9p to 138p on Monday and another 25p to 163p yesterday. But there may not be much bid stimulus left in the price. Mr Peltz and Mr May do not plan a general offer.

Yet Mr Clegg will not be there to see the changes they make. His chapter in the company's corporate history has been written. Illness and financial pressures seem to have closed that chapter and he has sold out his stake at a premium to the market price but at a discount of 53p to the historic net asset value of the shares.

Although Mr Clegg had appeared to be fully recovered from brain surgery over a year ago, the strain has clearly been telling. But beyond that the financial climate has changed and this has clearly affected his ability to carry his shareholding.

When, last March, Mr Clegg bought back into Mountleigh, it is believed that he borrowed some £40m of the £59m necessary to fund the transaction. It was a large, and ultimately too heavy, personal burden at a time of high interest rates.

The man who provided the means to escape that burden was none other than the man who brought Mr Clegg his biggest deals at the time Mountleigh was riding highest, tickling the stock market with every deal – Mr Paul Bloomfield.

Mr Bloomfield is a property trader, now the biggest single shareholder in Benlox. His partnership with Mr Clegg drove Mountleigh in the mid-1980s. Mr Bloomfield created the deals. Mr Clegg financed them. Yesterday looks like their last double act. Mr Bloomfield introduced Mr Peltz and Mr May to Mr Clegg. That was two months ago.

Mr Peltz and Mr May were looking for a European investment following the sale of Triangle Corporation, the packaging group they had rescued and built up with the help of junk bonds issued through Drexel Burnham Lambert, then the masters of that field. They are said to have made $835m between them on the sale to Pechiney for $1.26bn.

Given the conditions on the stock market and the current low regard in which property companies are held by investors, Mr Clegg's stake was not expensive.

Mountleigh has recovered somewhat from the turmoil of 1988 when there were boardroom rows and, more importantly, a need to sell properties rapidly to reduce gearing.

When Mountleigh received £148m cash to settle the sale of Paternoster Square in the City of London, gearing slipped back to around 68 per cent, not the sort of level that would worry Mr Peltz and Mr May. Property assets are in the latest accounts at about £630m of which two thirds comes from Galerias Preciados, the Spanish department store. There is rental income of around £30m a year.

The two Americans are taking over as chairman and joint managing directors at Mountleigh and bringing in two of their own non-executive directors. The existing Mountleigh management team will stay in place, they said. But analysts expect Mr Bruce Bossom, an executive director, to stick by plans made before the American arrival and depart shortly.

New stores provide most of Sainsbury's growth

By Maggie Urry

J SAINSBURY, the food supermarket and stores group, yesterday announced an increase in pre-tax profits of 15 per cent from £186.4m to £215.1m for the 28 weeks ended September 30.

The results showed, however, that the group has not been immune to the difficulties in the retail trade.

The main business, the food retailing chain, continued to expand and opened eight stores in the first half with plans for another 14 in the second. During the year 23 smaller stores are being closed.

The group has opened its first store in the north-east, in Middlesborough. Mr Ewan Davidson, treasurer, said that there was still plenty of scope to open new outlets since half the UK population does not live within 15 minutes drive of a modern Sainsbury store.

However, Mr Davidson admitted that except in areas such as the north-east, new Sainsbury stores often took trade away from existing outlets. Analysts pointed out that as Sainsbury continued to restructure its portfolio increasing the number of larger, more profitable stores, this would be a continuing problem.

Bearing that in mind, volume growth in the group's existing stores was barely positive in the first half of the year, with the 14 per cent rise in the chain's sales to £2.9bn coming through inflation, of 5.5 per cent, and new stores.

Elsewhere in the group, Savacentre saw a slight fall in operating profits from £9m to £8.7m. In the comparable period this was a 50 per cent-owned associate company, but was full-owned for the first half of this year. Mr Davidson said the new Merton store, opened in February, was suffering losses but was expected to move into profits next year. Two more stores are due to open next year.

Also the difficult trading conditions for non-food lines held back Savacentre's performance.

Homebase, the DIY chain, increased sales by some 13 per cent to £113.4m and operating profits by over 26 per cent to £5.3m. Mr Davidson said that all the increase in sales had come from new outlets, with existing stores seeing sales maintained in money terms, meaning that volumes were lower.

He said margins had improved because of tight control of costs.

Shaw's, Sainsbury's US supermarket chain, saw a sharp rise in profits, both in dollar and sterling terms. In sterling, operating profits were up 54 per cent to £16m. A profit from a group of loss-making stores acquired last year and a general improvement in the existing shops was behind the rise.

Among associate companies, Haverhill Meat Products was hit by a sharp rise rise in pig prices and made a small loss against a £2.1m profit in the comparable period.

The interest charge rose from £2.9m to £8.7m and Mr Davidson said he expected it to be £20m to £25m for the year as a whole.

Capitalised interest in the half year was £28.1m, up from £15.7m. Balance sheet gearing of 35 per cent at the half year would probably rise to 40 per cent by the year end, he said, after capital expenditure during the year of £600m.

Earnings per share rose 18 per cent to 9.5p and the interim dividend is increased by 17 per cent to 1.75p.

See Lex

DIVIDENDS ANNOUNCED

Anglo Group ......int	1.65	-	1.5	-	5
Bellway ......fin	7	-	7	11	10
Bibby (J) ......fin	5.75	Jan 11	5.75	8.5	8.5
Bimec Inds § ......int	0.33†	Jan 3	-	-	-
Fashion Gen Inv ......int	5	Jan 2	8	-	19.7
Gieves Group ......int	1.5	Dec 20	1.2*	-	3.75*
Hadleigh Inds ......int	2	Jan 4	-	-	-
JS Pathology ......int	1.8	Jan 12	1.8	-	5.5
McInerney Props ......int	1.5♣	Dec 8	1.5	-	6
Oxford Inst ......int	1.2†	Mar 23	1	-	3.2
Sainsbury (J) ......int	1.75	Jan 12	1.5	-	5.05
Warner Howard ......int	1.56	Jan 8	1.3	-	3.75
Williamson Tea ......fin	15	-	10	25	20

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ♣Irish currency throughout.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Appleby Westward, Bodyshop International, Cabra Estates, Comac, Futura, Glamar, King & Shaxson, Portsmouth & Sunderland Newspapers, Sander Sidney, Somic, Staveley Industries, Storehouse, Unilock, Yale & Valor, Yorklyde.

Finals- Duke Simpson, Gaynor, Gleeson (M.J).

FUTURE DATES

Interims-	
CML Microsystems	Nov. 20
Davy Corporation	Nov 20
Maxwell Communications	Nov. 13
Racal Electronics	Dec. 11
Racal Telecom	Dec. 11
Finals-	
Apollo Metals	Nov. 20
Bett Brothers	Nov. 27

*Correction

UK COMPANY NEWS

NE sales boost Bellway to £17m

By Jane Fuller

BELLWAY, the Tyneside-based housebuilder, achieved a 21 per cent increase from £14.05m to £17.02m in pre-tax profits for the year to end-July in spite of fewer sales at lower prices in the south of England.

The company sold 1,700 houses in the year, compared with 1,640 last time. Turnover increased by 15 per cent to £118.13m (£102.49m).

Mr Kenneth Bell, chairman, said: "The housebuilding industry is going through a difficult period because of the Government's determination to control inflation by means of high interest rates, but our geographical spread has helped to cushion us from the worst effects."

Buoyancy on the company's home territory is illustrated by the sales increase – from 400 to 600 homes. In the urban renewals division, which typically involves rebuilding on a cleared site, the number doubled to 300.

Overall, said Mr Alan Robson, finance director, sales were split evenly between the south, where the company was mainly involved in starter homes, and the north, where middle to upper market properties predominated.

In the south, he said, house prices had fallen by about 10 per cent, and incentives had had to be offered. To reduce the impact on profits, overheads had been cut by about 15 per cent, including an office closure and redundancies.

In the north, although he expected prices to level off, he did not go along with forecasts in a Morgan Grenfell report that they would fall by as much as 15 per cent next year.

The company was continuing to sell houses ahead of completion and prices had not lost touch with incomes as in the south.

Profit growth would have been greater had it not been for losses on a one-off conversion contract, resulting in an exceptional provision of £1.7m. The effects of this were ameliorated by selling part of a shareholding for £700,000.

Thanks to £20m raised by a preference share issue, borrowings fell below £2m, reducing gearing to less than 3 per cent. Earnings per share rose to 41.2p (35.1p) and an unchanged final dividend of 7p makes a total of 11p (10p).

● **COMMENT**

In harder times, Bellway has shown its stoical qualities by cutting overheads, slashing debt and making the most of unglamorous but stable work, such as for housing associations. Through its involvement in starter homes, it could feel the first effects of any upturn. Meanwhile, the most promising growth prospect lies in the often grant-aided redevelopment of derelict land. Yet with the prospect of sales staying sluggish in the south for most of the year, the question is how much will this drag down profit levels generated in the north, where house prices are expected to level off, or worse? Forecasts are for an unsurprising fall in profits to about £15m, but with earnings per share also reduced by the issue, the prospective multiple is 5.5. It looks worth buying, especially in view of the decent yield. How exciting its prospects are will depend partly on the speed with which it switches out of caution-mode to take advantage of opportunities to buy land and distressed companies.

Dumenil units pricing being urgently investigated

By William Dawkins in Paris

DUMENIL LEBLE, the Paris-based financial services group, last night said the investigation of the pricing of Dumenil Trust Management's UK unit trusts would be concluded as soon as possible. Duménil is owned by Cerus, the French holding group of Carlo de Benedetti, the Italian businessman.

A spokeswoman for Duménil said that initial indications were that units had been both over- and under-priced for mainly technical reasons, including settlement problems on the Spanish stock markets.

"Obviously, it's in everybody's interests to clarify the situation fast," she said. The directors and trustees had called for dealings to be suspended the moment the problems became apparent, "because we felt we clearly could not quote a price if we did not know it to be correct," she added.

Investors would, in any case, be protected by the resources of Duménil Leblé, the independent investment bank and the immediate parent group, which last year produced net profits of Ffr408m, up from Ffr276m in 1987.

The group manages Ffr30bn across Europe for private investors and for companies, of which Ffr25bn is in France, mainly in the form of Sicavs or mutual funds, the nearest French equivalent to a unit trust. The Ffr5bn balance is spread between the UK, Belgium and Switzerland where Cerus Duménil has three private bank branches, taken over recently from Chemical Bank.

Duménil Leblé attracted the attentions of Cerus in early 1988, mainly for its experience in money broking. Cerus took a 26.5 per cent stake, and then, a year later, launched a full bid, worth Ffr4.65bn. It was held up by the French Commission des Opérations de Bourse (COB), which questioned the valuation Cerus used for its paper offer. Mr de Benedetti eventually changed the terms of the bid.

Shares sale helps Williamson Tea maintain £3.1m profit

By Clay Harris

WILLIAMSON TEA Holdings, owner of shares in tea companies in India, Malawi and Tanzania, increased its final dividend for the year to June 30 from 10p to 15p, as the result of the profit on selling shares in Plantation Trust.

Mr Richard Magor, chairman, said UK-based profits on the share disposal to CDFC Trust made the higher pay-out possible without encountering difficulties with unrecovered ACT. The final raises the total for the year to 25p (20p).

Although Williamson increased pre-tax profits to £3.16m (£3.12m), the figure would have been lower without the share stake profit. Turnover was stagnant at £31.9m, and earnings per share rose to 55.49p (48.11p).

The number of tea companies quoted in London is dwindling fast. The Stock Exchange last week cancelled the listings of four companies with extensive cross-shareholdings – Lawrie Group, Assam-Dooars Holdings, Western Dooars Tea Holdings and Walter Duncan & Goodricke.

Williamson is the purest play in tea remaining, according to Mr Richard Howell of the stockbroker Sheppards. Each 10p per kg rise in the tea price sustained for a year lifts Williamson's pre-tax profits by £2.5m, he said.

However, its shares are tightly held and infrequently traded, contributing to the sharp rise seen this year. George Williamson, a private company, owns 52 per cent of Williamson's shares and clients of Sheppards own 24 per cent.

NEWS DIGEST

Recovery continues at Bimec

BIMEC INDUSTRIES yesterday reported another firm step in its recovery programme.

In the six months to end-September the USM-quoted group reported taxable profits of £904,000 – a result that compared with losses of £59,000 in the corresponding period of 1988 and profits of £704,000 for the previous full year.

Over the past two years, Bimec has expanded from its core environmental operations to take in activities in the aerospace, electrical and air control fields.

Mr Sam Smith, executive chairman, said: "The broadening of the group's activity into four separate sectors of the economy and the diversity of our businesses gives strength and reduces the vulnerability experienced when we were a single core business."

Anticipating record results for the full year, Mr Smith said the group's order book currently stood at £22m.

Turnover for the half year expanded sharply to £12.13m (£1.39m). Earnings per 5p share worked through at 1.2p, compared with losses last time of 0.1p and an interim dividend of 0.33p is declared.

Gieves improves to £949,000

Gieves Group, the tailor, publisher and motor dealer, increased pre-tax profits by £102,000 to £949,000 in the six months to end-July. Turnover was a little under £1m higher at £23.93m.

Below the line an extraordinary provision of £442,000 mainly reflected the relocation of the Redwood book and magazine manufacturing business and improving efficiency at Bookpoint, the book distribution arm.

Mr Tom Scruby, who took over as chairman last July, said that with the exception of Redwood, the principal divisions looked well placed to achieve a reasonably good second half.

The interim dividend is increased from an adjusted 1.2p to 1.5p from earnings of 4.4p (4.1p) per 20p share.

For the 1988-89 year as a whole, the group returned pre-tax profits of £2.08m from turnover of £47.69m.

JS Pathology ahead to over £2m

JS Pathology returned profits of £2.04m pre-tax for the half-year ended September 30, a 7 per cent improvement over the slightly depressed £1.9m achieved for the corresponding period of the previous year.

Turnover of the London-based pathology laboratory improved to £5.83m (£5.29m) and earnings worked through at 10.2p (9.5p) per 10p share. The interim dividend is a same-again 1.8p.

Profits for the full 1988-89 year declined from £4.01m to £3.64m.

Marginal increase for McInerney

In spite of a 20 per cent increase in turnover from I£38.11m to I£45.76m, pre-tax profits at McInerney Properties in the first half of 1989 rose only fractionally – from I£1.84m to I£1.86m (£1.83m).

This Dublin-based company, which has building, civil engineering and property development interests in the Irish Republic, the UK, Iberia and the Middle East, said that its spread of activities in both products and markets was a major strength and served to insulate it against sudden swings in any one market.

After a lower tax charge of I£502,000 (I£680,000) earnings were down to 10.2p (13.3p) per share. The interim dividend is held at 1.5p.

UK COMPANY NEWS

Oxford Instruments hit by body scanning losses

By Clare Pearson

TRADING LOSSES in Oxford Instruments Group's body scanning business, which has been merged with Siemens of West Germany, depressed profits of the high technology company in the first half.

Before a £5.35m exceptional gain on the sale and leaseback of the Eynsham factory making the magnetic resonance imaging equipment, group profits came out at £4m, against £5.28m last time. Group turnover fell to £38.3m (£47.6m), after a drop in sales of MRI magnets to £5.8m (£15.6m).

Mr Peter Williams, chief executive, said uncertainty caused by the formation of the venture with Siemens had created a hiccup at the MRI operation, but it had been performing strongly over the last month. Sluggish sales growth in the other operations should be rectified in the second half, he said.

The purchase of Link Scientific Group, part of UEI when it was taken over by Carlton Communications in the summer, was the other main recent corporate development. This occurred in September, at the end of the interim period.

With the deal, which cost an initial £47.5m partly financed by funds released from the Siemens deal, analytical instrumentation had become the second largest activity in the group. Link is expected to make about £3.6m in the half-year, more than covering lost interest payments on cash, but to have a slightly earnings-dilutive effect in the next full year.

Mr Williams said there was a high likelihood that a further provision would have to be made at the year-end against cost overruns on the synchroton project for IBM, which aims to revolutionise the production of silicon chips. Provisions totalling £2.5m have already been made.

Further problems with synchrotron that had arisen during the six months had all been resolved. Field definition tests on the main ring magnets were proceeding satisfactorily, and final assembly of the ring, followed by trial running of the total system, should commence in mid-1990.

A rise in net interest receivable to £1.4m (£683,000) reflected better control of working capital as well as higher interest rates. Net borrowings, standing at about £10m after the Link purchase, are expected to be virtually eliminated by the year-end.

Earnings per share, before the exceptional item, stood at 5.2p (6.9p). The interim dividend is lifted to 1.2p (1p).

● **COMMENT**

Oxford Instruments will have become much more interesting by this time next year, when it will be known whether the synchrotron works or not. If it does, and assuming no change in the product's competitive position, IBM's first order is clearly not going to be the last. The implications of selling these machines at not less than £15m a throw, for a company of Oxford's size, are manifest. There is nothing for the potential benefits in the share price at the moment; but a failure in the project would doubtless depress the price anyway, even though Oxford as a group would emerge largely unaffected – if disappointed. At this stage of the programme, the shares are probably at about the right level on a prospective p/e of about 14.5. This is on a profits figure, excluding the property gain and after a synchrotron provision of around £1m, of about £13.5m.

Edelman cuts Storehouse stake

By Maggie Urry

STOREHOUSE, the BhS, Habitat, Mothercare and Richards retail group which is today reporting interim profits, has been notified that Mr Asher Edelman has reduced his stake in the company by 250,000 shares. After the sale he held 36.75m shares, 8.97 per cent of the equity.

Mr Edelman said he had no comment to make on his dealings in Storehouse shares, and could not remember the particular sale, which took place on September 9. He said of his stake, "one day I will try and make some money on it."

Mr Edelman attempted to launch a takeover bid for Storehouse earlier this year, but his approach was rejected by the board. He has seen the value of his share stake fall sharply from a high this year of 198p to last night's closing price of 106p, unchanged on the day.

Storehouse revealed that Mr Edelman's solicitors said they had notified Storehouse of the sale on September 15, but that notification "did not reach us."

Seafield's holders take up 40% of rights issue

By Clay Harris

SEAFIELD, the transport and warehousing group, said that 40 per cent of the shares on offer in its £55.7m rights issue had been taken up.

The three-for-one issue was launched to help finance the £41.9m purchase of Charterhall Properties, a retail developer, and to raise £30m in working capital.

The rest of the shares were left with sub-underwriters, but Mr Dennis Jones, deputy chairman, said the issue had been sold to institutional investors with that outcome in mind.

Seafield, a former Irish textiles company, would have preferred to raise the cash through a placing with clawback, he said, but the Stock Exchange insisted that shareholders be allowed an opportunity to deal in the nil-paid rights.

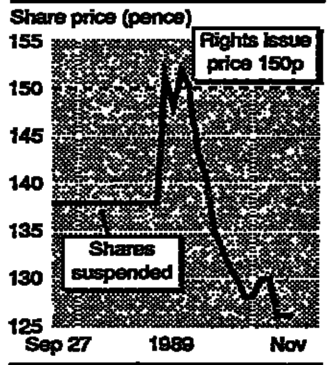
In the event, they had only a few days to do so profitably before Seafield's shares fell below the rights price of 150p.

Of the shares taken up, directors and certain shareholders subscribed for just over 4m. They irrevocably renounced their rights over 9.38m shares, which were placed firm with institutional clients of CCF Laurence Prust and the Dublin broker Butler & Briscoe. None of those shares was underwritten.

Of the sub-underwritten shares, nearly 2.19m, or 8.6 per cent, were taken up.

Mr Jones said Seafield was looking for acquisitions in warehousing and road haulage to restore the balance with the new property side.

Seafield



Anglo Group rises but profit on RHM stake falls sharply

By Ray Bashford

ANGLO GROUP, the company used by Sir James Goldsmith as a vehicle for his return to the UK corporate scene, has seen the profit on its investment in Ranks Hovis McDougall reduced sharply during the past month.

However, the company said in its profits statement for the six months to September 30 that it was considering "appropriate ways of enhancing the value of this investment."

Mr Charles Bailey, an Anglo director, declined to elaborate on intentions but the company is believed to have held talks with several parties about plans for the holding which include its disposal. Anglo's interest in RHM is held through its 35 per cent stake in Sunningdale Holdings which in turn has a 29.9 per cent stake in RHM.

At September 30, the surplus after carrying costs on the indirect investment in RHM was £14.9m and the stake had a market value of £94.3m.

Mr Bailey said yesterday that the surplus had been cut to £9.5m by the recent decline in the RHM share price and the deduction of carrying costs.

Sunningdale borrowed half of the money to finance the acquisition of the shares and at September 30 Anglo had incurred a carrying cost of £4.7m.

The Sunningdale interest was acquired at 400p per share compared with yesterday's closing price of 435p, up 3p on the day.

Anglo, through its leasing business, returned pre-tax profits of £4.7m during the September half compared with £3.87m during the previous corresponding term, representing a 21 per cent improvement.

The interim dividend is increased from 1.5p to 1.65p, payable from earnings per share of 14.1p (11.8p).

The company was created last March when Anglo Leasing, a medium sized leasing company, became a subsidiary of the new parent through a one-for-one share swap.

"Despite high interest rates there has been no evidence of any tailing off in demand for Anglo Leasing's facilities and it is expected that Anglo Leasing will maintain progress in profitability for the remainder of the year," directors said.

Anglo, which also controls Hoylake, the consortium that launched the £13.5bn takeover for BAT Industries, reaffirmed its intention to make a new bid for the tobacco-based conglomerate.

The original bid was withdrawn because Hoylake could not obtain clearance from US insurance industry regulators within the UK's bid time-table.

Sterling Publishing plans three purchases for £17m

By Raymond Snoddy

STERLING PUBLISHING, the trade and technical publisher which also owns Debrett's Peerage, is planning a significant expansion through acquisition in the US and the UK.

The USM-quoted publisher has signed letters of intent to acquire three companies in related areas in deals worth a total of about £17m – Sterling's largest expansion so far.

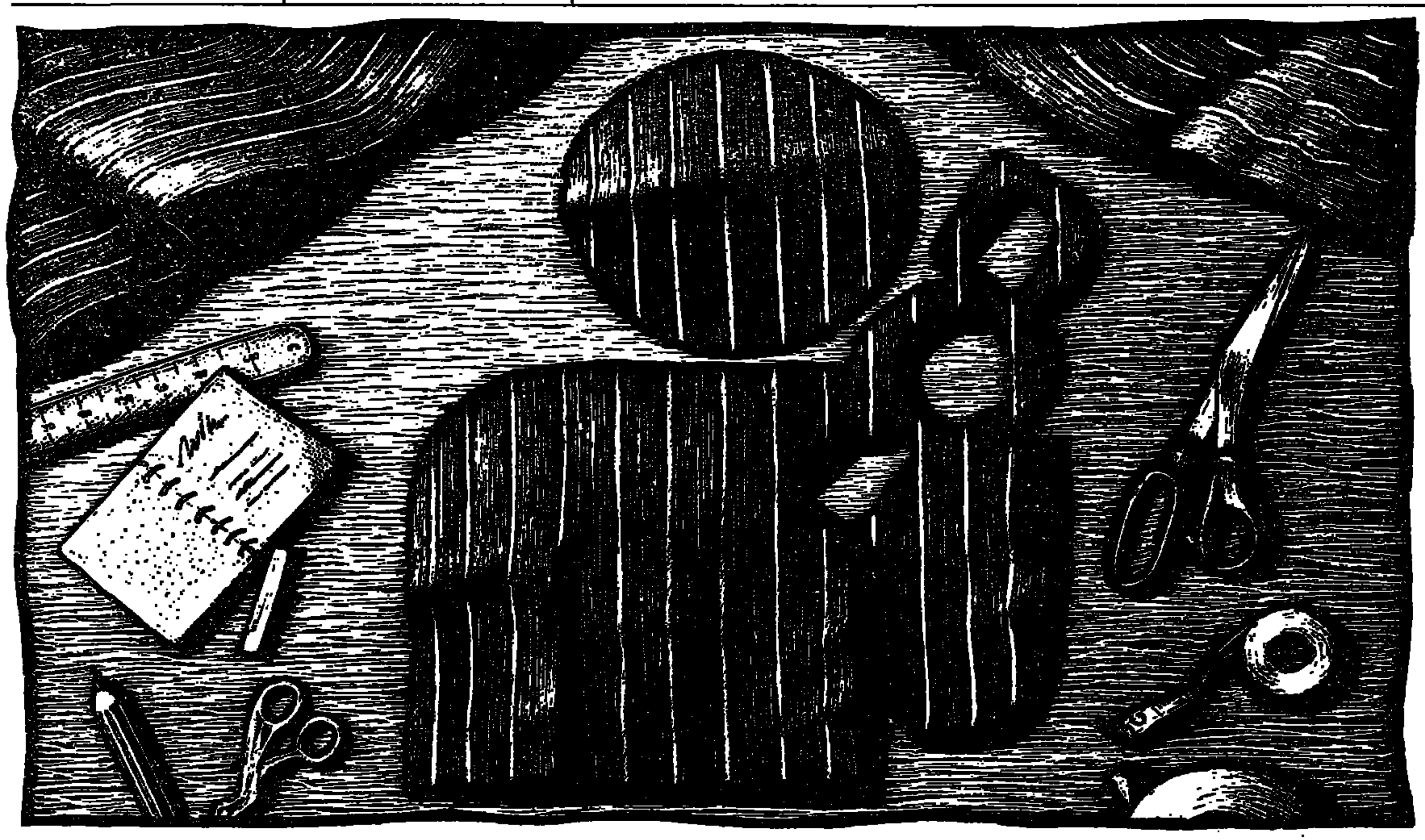
One company is believed to be in Florida, another in New York and the third in the UK.

An additional two possible acquisitions are also under negotiation.

Sterling's main business involves the publication of more than 50 controlled circulation annual reference books aimed at particular industries or sectors.

The annuals, such as World Pulp & Paper Technology and Information Technology Applications Europe, are financed by advertising.

The company reported a 69 per cent increase in pre-tax profits for the year to March 1989 – £2.91m on turnover of £17.64m. City analysts have been forecasting profits of £4m for the current year.



Setback in paper operations prompts decline at J Bibby

By Ivor Duce

A SHARP downturn in its paper and converted products division caused J Bibby & Sons, the industrial and agricultural group whose ultimate holding company is Barlow Rand of South Africa, to report a setback in profits for the year ended September 30.

The pre-tax figure of £28.64m compared with £30.18m for the previous year.

Mr Richard Mansell-Jones, chairman, said the year was characterised by strong performances from two of the group's divisions, materials handling and science products and a reasonable performance from agriculture, which was operating in an unfavourable environment.

However, these improvements were more than offset by poor results from the paper and converted products division which, in particular, found difficulty in recouping from its customers the increased cost of wood pulp, its principal raw material.

A breakdown of the £31.73m trading surplus (£33.48m) showed paper and converted products down from £5.41m to £1.41m; science products improved from £9.51m to £12.55m; agricultural was slightly up from £5.74m to £5.81m and materials handling ahead from £9.07m to £11.96m.

Discontinued operations made no contribution (£3.75m).

Mr Mansell-Jones said the likely slowdown in the UK and US economies might result in less buoyant markets in the near term, but the creation of a single European market in 1992 would provide particular opportunities for growth.

Sales amounted to £515.36m (£548.85m).

Net earnings per share emerged at 16.62p (18.4p). An maintained final dividend of 5.75p has been recommended, making an unchanged total of 8.5p.

UK COMPANY NEWS

Expansion will cut profits to £0.75m says Batleys chief

By Clay Harris

BATLEYS, the cash-and-carry wholesale chain which family shareholders want to take private, expects to see pre-tax profits fall to £750,000 in 1990-91 because of its expansion programme, the group's chairman and founder said yesterday.

Mr Lawrence Batley, who opened the first cash-and-carry store in Huddersfield in 1958, said the trading outlook was bright for the current year and next, but the costs associated with opening new stores next spring in Leeds and Glasgow would temporarily depress profits.

Mr Batley said he expected profits to reach £2m on turnover of £365m in the year to next April, after £1.38m on turnover of £329m in 1988-89. The average size of the chain's 11 stores is 105,000 sq ft.

Family shareholders control 65 per cent of Batleys' equity, and a cash offer for the minority is expected to be made within about two weeks, Mr Batley said.

It will be financed by a loan from Swiss Bank Corporation.

Mr Batley said he saw no further use for the stock market listing which the group gained in 1972. "The purpose was to raise money on the stock market, but we've never needed to raise money or wanted to raise money, so there's not a right lot of reason to stay in."

At yesterday's market price of 130p, up from 110p when the possible offer was announced on Monday, the whole of Batleys is valued at £18.6m and the minority at £6.5m.

Hadleigh Industries up 32%

By Jane Fuller

HADLEIGH Industries, which refurbishes trailers and makes storage tanks, reported a 32 per cent increase in interim profit in its first set of results since joining the USM in June.

Taxable profits in the six months to September 30 increased from £499,000 to £660,000 on turnover ahead 24 per cent to £8.94m (£7.21m).

Mr Anthony Cookson, chairman and chief executive, said both the automotive and engineering divisions were experiencing strong demand which was at least partially recession-proof.

Although its trailer distribution business was not as buoyant, customers who were reluctant to invest in new equipment were renting or spending on refurbishment.

The Ipswich-based company's ambitions include building up a national network of trailer engineering workshops and of spare parts distributors; and to get fleet management contracts.

Last month's purchase of Kurtrans Developments, a trailer body builder based in Telford, would enable some space to be released at Purfleet to expand the service and parts centre.

On the engineering side, Mr Cookson said water industry investment had increased orders for storage tanks and pressure vessels.

Customers in the oil business were spending more on offshore equipment and on petrol station forecourts.

Mr Cookson has high hopes of a double-skinned fuel storage tank, which he said was virtually leak-proof and easy to monitor and replace because it did not have to be buried in concrete.

With £1.2m in the bank from the flotation, the acquisitions being considered are an engineering management employment agency, a diesel engine spare parts operation and a supplier of exhibition equipment.

Earnings per share rose to 9.1p (7.8p) and the interim dividend of 2p represents a 33 per cent increase on the notional one shown in the prospectus.

The shares were placed at 160p and closed up 3p yesterday at 188p.

Touche Remnant plans new £15m high income trust

By Nikki Tait

TOUCHE REMNANT, the UK fund management group now owned by Société Générale, is launching a new high income investment trust.

The aim is to raise £15m via the issue of ordinary and subscription shares, in units of five ordinary shares at 100p and one subscription share at 20p.

The subscription shares form a slightly unusual feature – offering the right to subscribe for one further ordinary share between 1991 and 1996, on payment of 100p – like a warrant.

However, unlike warrants the subscription shares also carry an annual fixed dividend of 1.5p. This equates to a running gross yield of 10 per cent at the offer price.

Dividends on the ordinary shares will be paid quarterly, and the initial gross yield is expected to be 7.9 per cent. The aim is for the dividend growth on the ordinary shares to at least match inflation over the long term.

The annual management charge is a modest 0.5 per cent, and the trust will have an initial life of seven years, with shareholders being given an opportunity to wind the trust up in 1997 and at five-year intervals after that.

The aim is to invest 75 to 85 per cent of the new trust's assets in high-yielding UK equities, with the balance going into UK convertibles and fixed interest securities. The trust will, therefore, be "PEPable" – that is, count as a qualifying investment for Personal Equity Plan purposes.

Touche Remnant, at one stage the largest investment trust stable, has seen a number of its trusts fall prey to corporate activity over the past couple of years, although the position has been more stable in the wake of the Société Générale deal.

This is the first new trust set up by the fund management group for some considerable time, and it is thought that it may be followed by another launch in the New Year.

Warner Howard rises 12% to £2.3m

Warner Howard Group, a supplier of commercial laundry systems, warm air hand-dryers and related products, returned profits of £2.31m pre-tax for the half year ended August 3, an improvement of 12 per cent over last time's £2.06m.

Turnover rose 15 per cent to £8.3m and earnings by 0.7p to 6.5p. The interim dividend is stepped up from 1.3p to 1.56p.

Mr Ronald Hooker, chairman, said the group was currently seeking expansion via acquisition and was also examining opportunities for trading throughout Europe.

SHARE STAKES

The following changes in company share stakes have been announced recently:

Albion: Mr George Steriopulos now manages 191,000 ordinary shares (5.09 per cent), made up of the following: A G Investments 176,000, Croit Vane Investments 15,000 shares (0.4 per cent).

Applied Holographics: The Universities Superannuation Scheme has bought a further 100,000 ordinary and is now beneficially interested in 1.35m (9.2 per cent).

AT Trust: F J Porter has sold 235,000 ordinary shares, reducing his holding to 2.7m (7.7 per cent).

Auto Security Holding: Robert Fleming Holdings is now interested in 13.66m ordinary shares and 1.8m 5 per cent convertible redeemable preference shares (12.7 and 12.9 per cent). These shares are held on behalf of discretionary investment clients of Robert Fleming Asset Management.

Cluff Resources: Provident Mutual, following a recent purchase, is now interested in 2.8m shares (6.02 per cent).

Hornby Group: has received notification from Guidehouse Group, of which Mr D Michaels, a director, is a substantial shareholder, that it has sold 42,500 ordinary shares at 206p.

Jackson Group: Mr Frank Jackson has received 170,000 ordinary shares as a gift from his wife. This brings his beneficial holding to 11.37m (52.97 per cent).

Johnston Group: Mr James Michael Stuart Johnston has acquired 4,835 ordinary shares (0.05 per cent) at 360p. Total beneficial holding is now 651,380 (6.22 per cent).

Lambert Howarth: Futura Holdings is now the beneficial owner of 567,500 ordinary shares (10.04 per cent).

Micro Focus Group: Mr Paul O'Grady has acquired 11,180 ordinary. The total holding is now 1.21m (9.65 per cent) registered in the names of Mr Paul O'Grady (1.14m), Ms Laura O'Grady (60,000) and Ms Laura Sharp, nee O'Grady, (11,180). Also on November 2, Alderside sold 100,000 ordinary at 360p. The total holding is now 2.12m (16.91 per cent) registered in the names of Alderside (140,000) and Mr Brian Reynolds (1.96m).

Multitone: Mr Andrew Biancardi, a director, has bought 5,000 ordinary shares at 55p each, bringing his total holding to 16,500. Mr Heinz Helmut Moonen, also a director, has acquired 7,500 ordinary, taking his holding to 10,800 (0.07 per cent). Mildred Karten, wife of director Mr Ian Karten, has bought 10,000 ordinary shares at 55p. The total holding is now 160,000 (1.06 per cent).

Pict Petroleum: Equity and Law Life Assurance Society has acquired 250,000 ordinary, making a total holding of 2.46m (6.67 per cent).

Safeland: Mr M J Segal, a director, has acquired 4,000 ordinary at 69p (0.22 per cent).

Stylo: On November 3, Mr Michael Ziff acquired 60,000 limited voting ordinary shares at 52p each and disposed of the same amount at 605p each. Mr Israel Arnold Ziff acquired 30,000 limited voting ordinary shares at 52p each and disposed of the same amount at 305p

Usher Walker: DC Thompson on September 18 acquired 95,000 ordinary shares (4.46%).

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With this growth in mind, the company now wishes to appoint a Controller, who will report directly to the Finance Director. The position will have three direct reports covering the wide breadth of financial accounting, stock accounting and credit control, and overall staff responsibility for approximately 80 individuals.

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- Treasury Management
- Bank Relationships
- Risk Management
- Stock Reporting
- Enhancement of Financial Systems.

To be suitable for this role, you will be a graduate, qualified accountant who possesses strong technical, interpersonal and communications skills; a high level of computer literacy, and previous people management experience. This is a position that offers excellent prospects, and as such you must have the potential to progress either within the company or the wider group. **Individuals interested in this position should, in the first instance, write to Peter Flamminger, Director at FMS, 14 Cork Street, London W1X 1PF, enclosing a recent resumé and a note of their current salary.**

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Management Accountant

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For a suitably qualified and experienced candidate the position will offer excellent opportunities for career progression in addition to a salary in the above range. First-class fringe benefits are provided and relocation assistance will be available if required.

Please write with full C.V. by 24 November 1989, to the following address, listing on a separate sheet any companies you do not wish to apply to.

All applications will be treated in the strictest confidence and passed to our client, who will conduct the interviews.

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★ Statutory accounts
★ Budgetary/cashflow control
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★ Company secretarial duties
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For further information Contact:
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7 Mackenzie Street,
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Tel:0753 35939

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For further details contact Fergus Hooley.

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For further details contact Sonia Elliott.

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For further details contact Lee Acton.

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FINANCIAL RECRUITMENT

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We would be interested to hear from you if you are an ACCA/ACMA experienced in computerised systems and staff management.

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Please contact Val Gibbons, Personnel Assistant, on 0737 353322 ext. 265 who will be pleased to send you a job description and application form.

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TECHNOLOGY

A stronger helmet for a safer ride

MOTORCYCLISTS are in for a rude shock; so is the world's $1bn crash helmet industry. Modern full-face helmets are a cause of death in motorcycle accidents. Still, the risk of death from these helmets is minimal compared to the dangers of not wearing any protection. But the rigidity of modern helmets can contribute to fatal injury.

The evidence comes from a four-year study by the Australian Cranio-Facial Unit in Adelaide. It has been investigating why some crash victims die from torn brain stems without suffering serious facial markings. It seems that frontal impact on the solid face-bar of a helmet which is held in place by chin straps causes the motorcyclist's chin and jaw bones to be pushed backwards, tearing the brain stem. "It's a bit like unplugging the brain," says Dr Rodney Cooter, a researcher at the unit.

Although the unit's medical findings were published in the Lancet earlier this year, no remedy was offered. But Adelaide's Centre for Manufacturing, which is working with the unit, announced recently that it had improved modern crash helmet design.

There are three suggested improvements:

- Remove the chin strap and transfer it to the back of the head, where it would run under the curve of the skull – rather like the safety helmets used by construction workers.
- Use absorbent pads across the cheekbones and over the nose to ensure that the energy of an impact spreads across the face evenly.
- Recast the existing face bars of a helmet to contain a collapsible energy-absorbing block of material which squeezes on impact.

The improvements, it is argued, would afford a breathing space for the manufacturers to seek a longer-term solution involving a complete re-design with new materials.

Although motorcyclists account for only a tiny proportion of road users, they account for a far larger share of road fatalities. In countries where crash helmets are required by law, an estimated 80 per cent of motorcyclists wear the full-face helmet.

Chris Sherwell

David Fishlock reports on the Eureka research programme

Europe has found it

According to legend, Archimedes, while agonising on how to authenticate his king's golden crown, leaped from his bath with the cry "Eureka." Almost as dramatically, the Eureka programme, which began as a bright idea in 1985, has turned into one of the world's biggest research projects.

Eureka unites 19 European nations and the European Commission in a collaborative effort to heighten Europe's industrial productivity and competitiveness with other continents. There is no specific Eureka budget but its 1,600 participants – companies, academic institutions, governments, the EC – have already pledged to spend more than £6bn on nearly 300 projects.

The Greek influence can still be detected in such projects as Prometheus, an ambitious scheme to give road users some of the benefits of air traffic control, and lessen their impact upon the environment generally. Another is Elena, to be launched next year as a seven-year mission led by Fiat to develop a more socially acceptable diesel engine.

If the Italians have their way, Eureka will become more widely known in the next few months. Their turn for a year as chairman of the research programme has just come up. Fabio Pistella, Italy's Eureka representative, admits that there is public confusion about a Euro-programme based in Brussels that is neither an EC research programme nor in conflict with it.

He cites evidence which includes a water quality project that has been transferred and broadened from one of the EC's programmes to Eureka. Another is that the EC's own Joint Research Centre is eager to expand its involvement in Eureka projects – for example in developing new environment sensors.

Enthusiasm in Brussels for Eureka has grown since Italy's Filipo Maria Pandolfi took office this year as European Commissioner for research and development. Previously, relations between Brussels and Eureka were uneasy, one Eureka official admits.

Eureka embraces the 12 EC countries, the five EFTA countries, plus Finland and Turkey. It is primarily an industry-led research programme but its scope is all of science and technology. Its emphasis, however, is on how science can improve industrial performance.

A Eureka project starts with the enthusiasm of a single organisation anywhere within the 19 member states. This company has only to get the support of one other company, university or government agency abroad, for a project to be to launched (see diagram).

Through their national Eureka co-ordinators, the protagonists set about tapping available sources of funding – other interested companies, national research budgets, EC programmes such as Esprit. Meanwhile, the proposal is circulated on Eureka's computer network.

Eureka acts as a brokerage for research and development, advising organisations looking for outlets for their research and development capabilities as well as partners to share the cost of developing their ideas.

Eureka officials are proud of the way they have caught the enthusiasm of Europe's car makers, almost without exception. Prometheus, launched two years ago, attracted 677 proposals from 109 companies in nine of its member states; 258 projects are now being funded. The car companies have already designed their first generation of intelligent vehicles.

Pistella calls Fiat's proposal for Elena (engines low emission not aggressive) "a very ambitious project with admirable objectives." Fiat group companies in several countries are collaborating with universities in a L130bn (£61m) project to develop diesel engines of 70-370kw capacity – 50 per cent less polluting and 50 per cent less noisy than existing diesels.

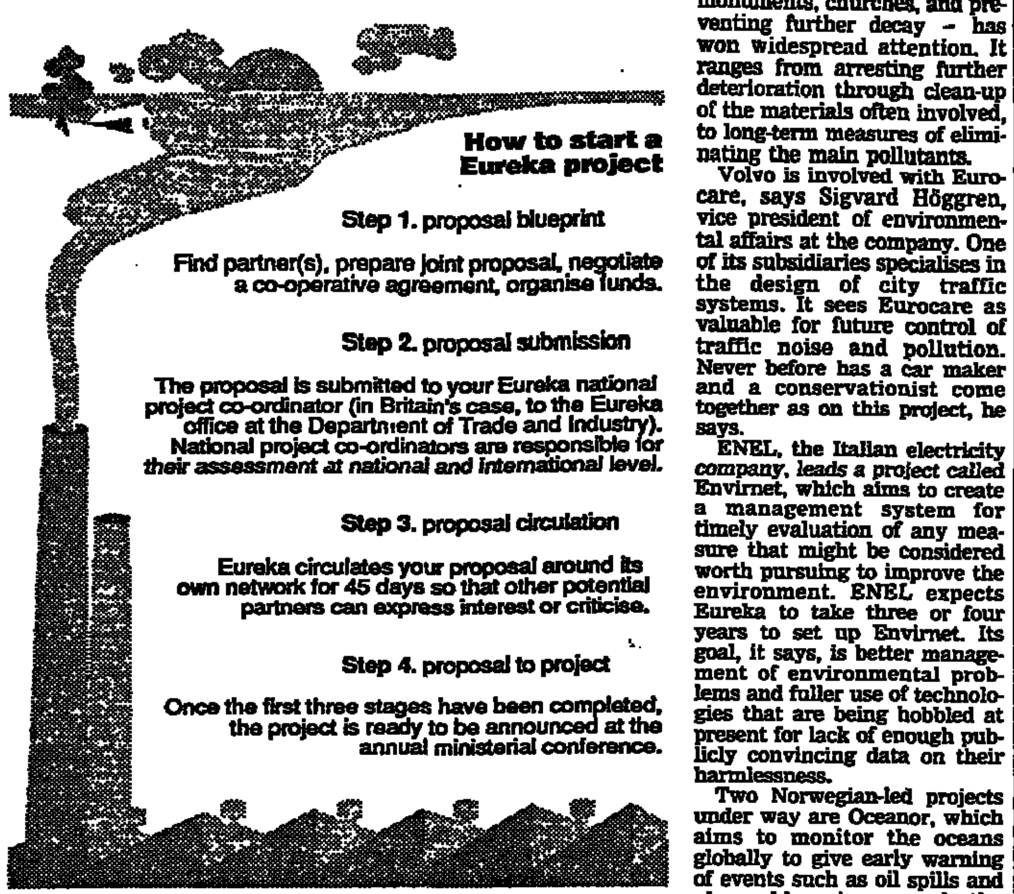
Environmental issues have begun to feature prominently in the Eureka programme, involving more than 10 per cent of the projects and 110 companies. Eurocare, a new Swedish-led programme for protecting Europe's historical treasures – civic buildings, monuments, churches, and preventing further decay – has won widespread attention. It ranges from arresting further deterioration through clean-up of the materials often involved, to long-term measures of eliminating the main pollutants.

Volvo is involved with Eurocare, says Sigvard Höggren, vice president of environmental affairs at the company. One of its subsidiaries specialises in the design of city traffic systems. It sees Eurocare as valuable for future control of traffic noise and pollution. Never before has a car maker and a conservationist come together as on this project, he says.

ENEL, the Italian electricity *company, leads a project called* Envirnet, which aims to create a management system for timely evaluation of any measure that might be considered worth pursuing to improve the environment. ENEL expects Eureka to take three or four years to set up Envirnet. Its goal, it says, is better management of environmental problems and fuller use of technologies that are being hobbled at present for lack of enough publicly convincing data on their harmlessness.

Two Norwegian-led projects under way are Oceanor, which aims to monitor the oceans globally to give early warning of events such as oil spills and algae bloomings; and the clean-technology ship, proposed by the Norwegian Ship Owners Association. The clean-technology ship is a vessel designed to minimise its emissions to sea and air, and its chances of having an accident. Unlike existing ships, which mostly operate without being monitored, the clean-technology ship would be constantly under automatic surveillance.

These Norwegian proposals are typical examples of projects that will work only if they are conceived as international projects, points out Pistella. Eureka is the ideal medium for melding European research with energy and the environment.



WORTH WATCHING

Edited by Della Bradshaw

A quick deal for networks

DEALERS in foreign exchange, capital markets, commodities and futures now have a quicker way of getting their pricing information to buyers.

Knight-Ridder Unicom has developed a software package for quotation input which enables dealers to send their information instantaneously to a number of different net*works using just one terminal.* Presently, dealers type in the information individually for each network – Reuters, Telerate and ADP, for example – or use just one network, which then owns the data and allows other networks to dip into it.

The Knight-Ridder *software is a spread sheet* which can run on any IBM compatible personal computer. As the dealer types in new figures, the spreadsheet is automatically updated, and the new information sent simultaneously to the networks designated by the dealing organisation. Dealers input the information free of charge, and it remains their property.

A cool and green environment

ONE of the big problems with air conditioning systems in an increasingly "green" world is that they use chemical refrigerants.

The Swedish company Munters has developed an industrial unit which uses water instead of chemical freons. As a result it can be run for only a quarter of the cost, claims the manufacturer.

The system relies on the old principle that when water evaporates it cools the surrounding air or surface – the reason why people feel cold when they emerge from a swimming pool.

With the Munters Coolex, the air leaving the room or building is filtered through a wet pad, which humidifies it. As the air dries it becomes cooler, and this cool air is then passed through a heat exchanger and used to reduce the temperature of the air entering the building. The system can replace traditional systems or be used as an added pre-cooler with installed units.

Meters read the battery charge

IT is frustrating enough when a torch battery runs out of power, but when industrial batteries come to the end of their life they can be dangerous, writes Andrew Wiseman.

Lithium sulphur dioxide batteries – extensively used in communications and emergency medical equipment – can explode, catch fire or release toxic chemicals when there is no charge left. But throwing such batteries away before their life is over is a big waste of money.

To help solve the problem, a Tel Aviv University team has patented what it claims is the world's first truly accurate "state of charge meter" for lithium sulphur dioxide batteries.

The device incorporates a computerised meter which gives a capacity reading on a 10 to 100 per cent scale.

Quakes from transient stress

AS world attention remains focused on the causes of earthquakes, a scientist at the Georgia Institute of Technology has proposed a new theory for why earthquakes happen on America's east coast – where there are no geological faults.

Most earthquake theories centre on plate tectonics – where the rigid plates which make up the Earth's surface grate together at the edges, causing quakes and volcanic activity. But the eastern US is in the middle of one of these plates and yet still suffers tremors.

After studying earthquakes belts in Missouri and Tennessee, Timothy Long, Professor of Earth and Atmospheric Sciences at Georgia Tech, concluded that the stresses which cause earthquakes are transient. Fluids, such as lava, are squeezed from rocks and released into the crust more than 20km below the surface. This weakens the rock structure, which begins to shift slightly under the stress, triggering small tremors. The stresses build up until a big earthquake occurs.

Computers that plan the games

WHEN the World Student Games takes place in Sheffield in 1991 it will be a feat of planning – computer planning that is.

To ensure that everything is in place for the event – from the sand in the sandpit to the variety of kitchens needed to provide food for different religious requirements – the organisers are using project planning software from Pertmaster International, of Bradford.

The organisers tap in data relating to things to need to be done, and how they relate to other dependent procedures. The computer then orders and dates the tasks to be performed and prints out a timetable, in the form of a bar chart.

By using the computer system, the organisers have discovered that they need to begin to put carpet the residences for the 6,000 competitors by next July – a year before the event opens – just to finish in time.

Leather that enjoys the rain

JUST in time to catch the eyes of this year's Christmas shoppers are a range of gloves made from leather which is waterproof, but which can still "breathe".

The process, developed by tanners Pittards, of Yeovil, mimics the way birds' feathers are made waterproof. Each of the individual fibres in the leather is coated with a cocktail of chemicals. (One pair of gloves contains about 7km of fibres.) Then the leather in its entirety is treated.

The process involves more than 40 stages, but the result is a pair of gloves which can be washed or drenched in the rain, but which will remain soft when dried and will not be stained by the water.

Contacts: Knight-Ridder: London, 353 9621. Munters: Sweden, 87 54 71 00. Tel Aviv University: Israel, 3 414 653. Georgia Tech: US, 404 894 3444. Pertmaster: UK, 0274 734838. Pittards: UK, 0935 74321.

COMMODITIES AND AGRICULTURE

Gold price touches 7-month high

By Kenneth Gooding, Mining Correspondent

SPURRED BY a weaker US dollar and Swiss buying, the gold bullion price soared to a seven-month peak of $386.95 a troy ounce in London yesterday morning.

Profit-taking and a firmer dollar saw the price ease back to $383.25 an ounce at the afternoon "fix", down $1.00 from Tuesday's closing level.

This did nothing to daunt the gold bulls, however. "Gold had gone up a bit too far a bit too fast. So it paused for breath," suggested Mr Alan Baker, deputy managing director of Sharps Pixley, the bullion broker.

He said: "When the gold market makes a major change of direction you can't put your finger on any particular reason. It is simply that the atmosphere in the market changes. And that change has taken place.

"I would be surprised if gold is not beyond $400 between now and the end of this year."

Ms Rhona O'Connell, precious metals analyst for the Shearson Lehman Hutton financial services group, also suggested "a test of $400 an ounce by the end of 1989 is a distinct possibility."

However, she pointed out that there was unlikely to be strong investment in gold from the US and Europe and the market's balance was such "that, if this sector of the investment community does not return, a bull trend cannot be expected to develop."

In a special report on the gold market, Ms O'Connell said that regional profit-taking and renewed forward sales by producers would be attracted above $400 and buying by the jewellery trade would probably ease. So gold would probably range between $350 and $450 an ounce next year compared with an average of $375 for 1989.

Ms O'Connell estimated that total gold supply this year would be 1,990 tonnes (about 64m ounces) rising to 2,050 tonnes in 1990. Industrial and fabrication demand would absorb 1,820 ounces this year and between 1,730 and 1,830 in 1990 leaving a surplus of 170 tonnes this year and between 220 and 320 tonnes in 1990.

CORRECTION

Soviet speaker

Mr Alexander Arbatov, vice-chairman of the Soviet Academy of Sciences, is speaking this evening at the British Institute of Energy Economics. His speech reported in yesterday's Financial Times was given at the Institute of Petroleum.

Hungary's farmers sniff at Perestroika

Montague Keen finds little sign of democratic euphoria in the country's agricultural sector

THE STATE farm manager made an eloquent gesture of cynicism in the general direction of Budapest, where political parties were breeding faster than his sows. "Glasnost? Perestroika?" he snorted. "It's just the same as ever, here on the farm."

The euphoria of democracy and the dedication to trade liberalism and market forces which has transformed Hungary's political scene have yet to be reflected in the country's most important industry.

Hungary is the breadbasket of eastern Europe. Food and food products represent 23 per cent of its convertible currency exports, half of them to OECD countries. And it aims to expand its food and agricultural trade with Western Europe, Austria and Scandinavia. Hard currency is desperately needed to help re-equip industry and agriculture, and Hungarian businessmen can see where the markets for high quality products are located. Secondly, Hungary dislikes barter deals, which act as a disincentive to quality, and is far from enthusiastic about receiving non-convertible currency from its Comecon neighbours.

In stark contrast to Poland, where small operations and food scarcity are the rule, Hungary's agriculture is chiefly comprised of large co-operative farms. Ten times more numerous than state-owned farms, equally large and well-established, the co-operatives cultivate three quarters of Hungary's fertile, largely alluvial, arable land and produce 80 per cent of its gross farm output.

Most of the co-operators are employed on the farms, often in jobs quite remote from farming, and where wage levels are even lower than those prevailing in other industries (£1,500 a year is about the average). They are entitled to a rent for their land which, after the 1956 uprising, they were encouraged but not forced to assign to a co-operative. This followed the disastrous Stalinist experiment when all farms above 100 hectares were nationalised and arbitrarily redistributed to the peasantry in the early post-war years.

Increasingly, management has been allowed to make its own decisions. Centralised direction has been weakened and co-operative chairman, once state nominees, are now elected.

Many workers, and all co-operators, have small plots on which they grow fruit, vegetables and vines to make a necessary, and invariably tax-free, supplement to their meagre incomes. Increasingly they have interlocked their smallscale but labour-intensive operations with those of the co-operative. Many rear and fatten pigs bred and owned by the co-operative, which supplies the feed and veterinary and extension services, or they fatten the co-op's calves or milk its cows, as contractors.

Both parties seem happy to see this symbiosis thrive. The co-op is best able to provide the central services, the artificial insemination, feed quality control, crop protection, transport and marketing facilities; the small producer gets better performance from his livestock by employing a management technique normally lacking in vast and impersonal production units – tender, loving care.

Major changes are afoot, however. Soon the absurdly restrictive system which gives university-educated and highly trained managers incomes no greater than 50 per cent above the level of the lowest paid labourer – one of the main handicaps to greater efficiency levels – will be abandoned. It is part of a liberalisation process the most dramatic impact of which will be seen on January 1, when most food price controls, as well as farm subsidies, are due to disappear.

No-one knows what will happen, but the general expectation is that prices will rise by between 10 and 15 per cent.

In a country where there are no real food shortages the emphasis will be more on quality than quantity. Only some lower grades of bread and milk will remain price-controlled. Acceptable table wine, sold at about 48 forints (about 50p) a bottle from the co-operative winery, and retailed at a compulsory 62 forint, will almost certainly rise: but not much, or else the Hungarians will continue to turn more and more to beer, which is often dearer.

Removal of most state support from farming is expected to usher in a period of chaos – the word Hungarians themselves most commonly seize upon. Inflation wavers between 17 and 20 per cent, and interest rates are nearer 25%.

Most farm directors run substantial and efficiently managed enterprises in which farm output is far less than revenue from food processing, feed compounding, road haulage, shops, hotels, furniture making, even steel fabrication.

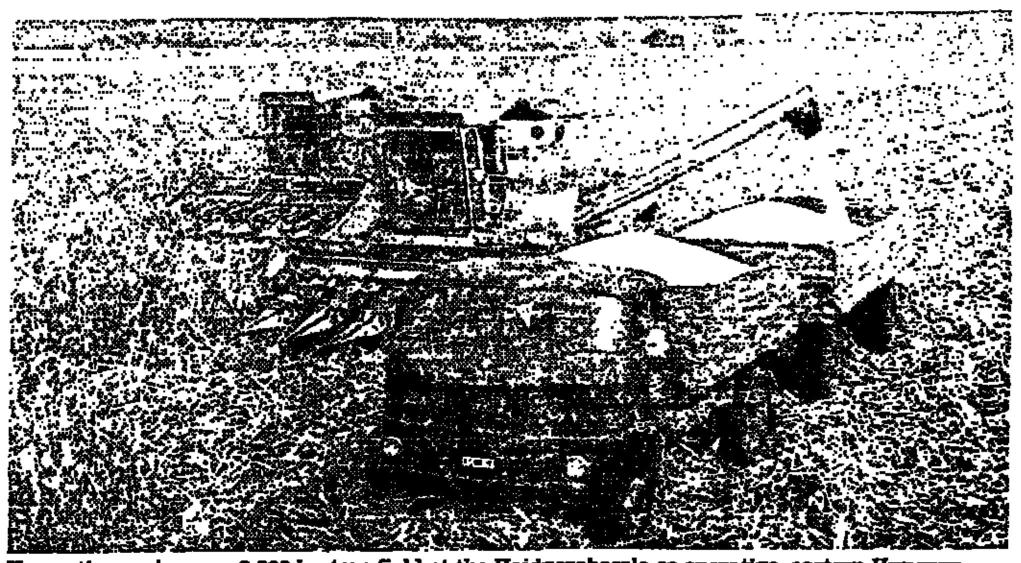
Along with the heritage of the years when co-operatives were limited to the production of raw materials only, oppressive taxation has left many farms and factories with largely outdated buildings, machinery and equipment which there is often little money to modernise. Hence the appeal of joint ventures with western companies, lured by the prospect of low production costs, favourable taxation treatment and freedom to repatriate profits.

Hungarian agriculture is structurally in a sound position to promote its exports of pigmeat, apples, onions, wine, paté de foie gras and farmed fish, given improved marketing expertise and the chance to modernise labour-extensive operations. It is likely to concentrate on processing its farm produce, partly to add value at home and partly because the European Community's protective mechanisms penalise fresh more severely than processed goods. And it will press with equal vigour at the General Agreement on Tariffs and Trade and in Brussels the Cairns group's case for abolishing import restrictions which hamper their exports, and the importance of protecting the fragile Hungarian economy from the ruinous consequences of importing luxuries it cannot afford.

Of the many hazards ahead, the most intriguing stems from the new laws giving farm cooperators the right to buy back their land, or its equivalent in productive value terms, from the co-operatives. There is no sign of a rush to do so. Most of the 800,000 co-operators do not have the money, and could not justify high-interest borrowing. Some would prefer to rent, but no-one has yet tackled the thorny problems of tenancy rules and rent determination. Not all prefer the high risks of independent farming to the secure if unexciting embrace of the co-operative. Moreover, many have lost any farming skills they or their fathers might once have possessed.

While newly-created political groupings look with envy at the cosseted structure of their western neighbours' family farms and regard the huge state and co-op monoliths as relics of Stalinism, others argue that it would be folly to break up well-integrated and viable units just to serve an ideological objective which would set the economy back 50 years.

Whatever happens, swift changes are unlikely. But the farming world will watch with fascination the unique spectacle of a formerly straitjacketed farming painfully emancipating itself into a market economy.



Harvesting maize on a 3,300-hectare field at the Hajduszoboszlo co-operative, eastern Hungary

Broker bearish on coffee price outlook

By David Blackwell

NEITHER INCREASED demand next year nor the return of export quotas in 1991 is likely to lift coffee prices to the 120 cents to 140 cents a lb level which the International Coffee Agreement was trying to defend before its collapse in July, according to E.D. & F. Man, the London trade house.

In its latest report on coffee, Man said consumption comparable with the 1985-86 level of more than 70m bags together with the reintroduction of quotas based on more than 56m to 58m bags (60 kg each) would not be enough to push prices that high. The International Coffee Organisation's 15-day average indicator was 61.51 cents a lb yesterday.

The report is, in any case, pessimistic about the prospects of reviving the agreement, asserting that the oversupply of coffee is likely to keep the interests of individual International Coffee Organisation members divergent.

The pressure of sales from origins has now eased and roaster demand has evaporated, leaving the futures markets vulnerable to speculation and nervousness. But another wave of heavy selling is likely early next year when Central American and robusta crops have been harvested.

Dutch plan legal action on lead in feed

By Bridget Bloom

THE DUTCH Government expects to take legal action over the lead-contaminated animal feed which has poisoned cows in the Netherlands and Britain, according to an official.

Yesterday, in addition to nearly 400 affected Dutch farms, restriction orders were placed on 531 British farms, mainly in south-west England and the Midlands.

Of some 250 farms so far tested, milk on 89 was found to contain lead above the "trigger level" of 50 parts per billion, the Ministry of Agriculture said.

The affected milk is being processed into milk powder and no danger to human health is posed, according to Britain's Milk Marketing Board.

It is believed that some rice bran imported from Asia was contaminated from proximity during transportation to a leaking lead compound. The rice was then unknowingly included in high-protein maize gluten pellets supplied to feed compounders.

US urged to accept grain price compromise

By Bridget Bloom, Agriculture Correspondent

THE US should introduce a two-tier pricing system for grain which would give its farmers some guaranteed income but would not distort international trade in the way that its current farm policies do, a new study declares.

A report from the Australian Bureau of Agricultural and Resources Economics argues that such a pricing system would maintain the competitiveness of US grain production on world markets while substantially reducing the farm aid bill.

Such two-tier pricing, which would be based on farmers' being guaranteed support on an output which would be below world market demand, would also help to increase prices on the world market to the benefit of non-subsidising countries like Australia, the report maintains.

Dr Brian Fisher, director of the bureau and co-author of the report, denied at a seminar to launch the report in London yesterday that the two-tier price system would inevitably lead to international market-sharing arrangements. However, he accepted that what was being proposed would effectively involve the imposition of quotas at the level of both farmer and producing country.

The two-tier pricing system was not an ideal solution, he said – the bureau would much prefer the complete abolition of all trade distorting subsidies. That, however, was probably not politically feasible and so alternatives must be sought.

The study, which provides a comprehensive analysis of US farm policies, notes that as the world's largest grain exporter the US has the power to influence world markets. It's export and farmer subsidy programmes had (along with those of the European Community) greatly contributed to the "competitive subsidisation" which had resulted in "dramatically increased protection levels world-wide, caused prices to fall and perpetuated a system by which all exporting countries lose."

The report estimates that the price discrimination element in the US Export Enhancement Program cost Australian wheat producers some $200m in 1987 and 1988 and caused a consequent loss in grain production of around 1m tonnes.

Neither Dr Fisher nor Mr James Rudbeck, Agricultural Counsellor at the US Embassy, also present at the seminar, was prepared to comment on the applicability of the bureau's solution within the context of the current Uruguay round of Gatt trade negotiations. Here, the US has proposed the ultimate abolition on a multilateral basis of all trade-distorting farm subsidies, a stand broadly supported by the Cairns group of exporting countries but opposed by the European Community.

● Most UK regions are reporting increases of between 5 and 10 per cent in the area sown to winter wheat this autumn, the Home-Grown Cereals Authority said in its October crop report, published this week.

It said winter barley plantings were down slightly except in Scotland, where a 5 per cent increase was expected as farmers continued to switch from spring sowing. All regions have reported increased winter rapeseed areas, with rises of 20 per cent in Lincolnshire and 25 per cent in Scotland.

US Grain Policies and the World Market. Australian Government Publishing Service, Canberra.

Report reveals the extent of forest damage in EC

By Lucy Kellaway in Brussels

THE EUROPEAN Community yesterday published what it claims to be the most comprehensive inventory yet of damage to forests in the Community, according to which about one in seven trees has lost more than a quarter of its leaves, while only half the conifers are in good health.

The report stops short of drawing any policy conclusions or attempting to isolate the numerous causes of the problem. However, it warns that unless air pollution is reduced from the present level the survival of forests across Europe will be in danger.

The problem is not limited to small areas, the study shows. Heavy damage was recorded in the east and south west of Germany, in Scotland, in the Netherlands, in Greece, in the south of Spain and in the north-west of Italy.

Moreover, the damage covers both coniferous and deciduous trees. Even though the damage to conifers is the most advanced, the study shows that silver birch, oak, beech and spruce trees are all suffering unacceptably high levels of damage.

The study, carried out on large samples of trees in Europe, shows that in 1987 some 14.7 per cent of trees suffered defoliation of over 25 per cent, while in 1988 the figure fell slightly to 12.8 per cent. Despite the reduction in the number, there is no sign that the problem is receding. The Commission said that apparent improvement was more likely to be connected with the weather, or result from the larger sample of trees monitored in 1988.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER prices continued Tuesday's rise on the LME yesterday, with general short-covering outweighing small pockets of profit-taking. The recent tendency for prices to sag has been halted by growing concern over possible Chilean supply disruption as the market enters the seasonally most active period of the year. Relatively low warehouse stocks on both side of the Atlantic are also aiding current midly bullish sentiment, analysts said. Cocoa prices closed mixed – a lack of fresh fundamental features and continuing concern about the availability of cocoa for delivery against the near December delivery position here curbed activity, dealers said. Reports that Nigerian farmers were threatening to withhold cocoa because of low prices helped to bring prices back from the day's lows in line with rising New York prices.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.25-6.35w	-0.05
Brent Blend	$18.75-8.85w	-0.15
W.T.I. (1 pm est)	$19.80-9.85w	-0.35
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$183-186	
Gas Oil	$183-184	-1
Heavy Fuel Oil	$98-100	-2
Naphtha	$163-165	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$384.25	
Silver (per troy oz)♣	525c	-1
Platinum (per troy oz)	$491.55	-2.10
Palladium (per troy oz)	$136.50	-0.85
Aluminium (free market)	$1775	+40
Copper (US Producer)	116⅝-118c	-5.5
Lead (US Producer)	39.0c	-1.5
Nickel (free market)	475c	+10
Tin (Kuala Lumpur market)	19.41r	+0.35
Tin (New York)	334.0c	-4.5
Zinc (US Prime Western)	78¾c	
Cattle (live weight)†	112.34p	-0.47*
Sheep (dead weight)†	206.51p	+17.4*
Pigs (live weight)†	98.87p	+1.09*
London daily sugar (raw)	$371.8v	+7.2
London daily sugar (white)	$339.8v	+7.2
Tate and Lyle export price	£350.5	+4.5
Barley (English feed)	£112.0	
Maize (US No. 3 yellow)	£126.5	+0.25
Wheat (US Dark Northern)	£127.50	
Rubber (spot)♥	56.75p	+0.75
Rubber (Dec)♥	58.75p	+0.25
Rubber (Jan)♥	59.75p	+0.25
Rubber (KL RSS No 1 Dec)	225.0m	+0.5
Coconut oil (Philippines)§	$470v	-5.0
Palm Oil (Malaysian)§	$310	
Copra (Philippines)§	$310	
Soyabeans (US)	£168	
Cotton "A" index	83.70c	+0.10
Wooltops (64s Super)	582p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct. x-Oct/Dec t-Jan/Mar. v-Nov/Dec. w-Dec. z-Jan/Feb†Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	729	724	730 720
Mar	700	697	700 691
May	711	710	712 702
Jul	725	725	727 717
Sep	739	740	738 735
Dec	764	764	765 758
Mar	784	784	784 779

Turnover: 3511 (5202) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 8 818.53 (812.45) :10 day average for Nov 9 810.43 (811.34)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Nov	709	707	717 703
Jan	691	685	694 682
Mar	700	696	702 692
May	719	715	720 712
Jul	737	734	737 730
Sep	755	750	757 749

Turnover: 2354 (2181) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 7: Comp. daily 82.39 (82.72). 15 day average 81.51 (81.39)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	334.80	333.00	330.00
Mar	329.60	328.00	330.00 326.00
May	324.80	323.40	325.00 321.00
Aug	317.40	315.60	317.40 314.40
Oct	305.00	303.60	305.00 302.00
Dec	300.00		296.00
Mar	288.00	286.40	288.80 284.00
White	**Close**	**Previous**	**High/Low**
Dec	398.00	396.50	398.00 394.00
Mar	394.00	395.50	350.00 391.30
May	401.50	399.50	400.50 398.50
Aug	411.00	408.50	408.50 408.00
Oct	384.50	384.50	384.00 382.50
Dec	373.50		371.00 370.00
Mar	371.00		368.50 368.00

Turnover: Raw 3222 (7143) lots of 50 tonnes. White 1126 (1065)
Paris- White (FFr per tonne): Dec 2475, Mar 2460, May 2525 Aug 2587, Oct 2437, Dec 2385.

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Dec	18.77	18.93	18.89 18.73
Jan	18.46	18.54	18.54 18.42
Feb	18.21	18.25	18.27 18.20
IPE Index	18.90	18.99	

Turnover: 10150 (6854)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Nov	187.75	186.25	189.00 185.75
Dec	178.25	180.50	181.75 178.25
Jan	174.25	176.50	176.75 174.25
Feb	170.25	171.25	172.25 170.25
Mar	165.50	166.00	166.50 165.50
Apr	161.00	160.00	162.00 161.00
May	159.00	159.00	159.00
Jul	157.00	157.00	157.00

Turnover 13888 (8802)lots of 100 tonnes

WOOL

HEAVY PURCHASES at floor price levels by grower organisations in the wool markets remain the main world feature. China's absence from the market is crucial but there are wider anxieties about world supplies. Australian output is up about 10% this season and farm income from alternatives to wool are not as attractive while floor prices stay at this level. Wool using markets are often already in a more or less depressed state. World wool market problems enhance buying caution throughout. Prices show little change with 64s super tops quoted in Bradford at 590p and 58s average at 388p.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 14,850 tonne
Cash	1775-80	1760-5		1777-80		
3 months	1725-7	1715-6	1730/1720	1726-7	1725-7	33,055 lots
Copper, Grade A (£ per tonne)						Ring turnover 41,300 tonne
Cash	1686-8	1682-4	1688/1687	1688-9		
3 months	1669-70	1657-8	1682/1665	1672-3	1680-1	77,057 lots
Lead (£ per tonne)						Ring turnover 7,300 tonne
Cash	453-4	459-60		454-5		
3 months	445-6	450-1	449/444.5	446.5-7	444-5	12,003 lots
Nickel ($ per tonne)						Ring turnover 870 tonne
Cash	10200-50	10225-75	10300	10250-300		
3 months	9800-50	9875-900	9940/9800	9900-25	9875-900	6,928 lots
Tin ($ per tonne)						Ring turnover 3,045 tonne
Cash	7250-60	7360-70	7350/7300	7320-30		
3 months	7330-50	7420-5	7430/7330	7400-5	7380-400	4,925 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 8,325 tonne
Cash	1495-500	1510-20	1510/1507	1505-8		
3 months	1449-51	1455-60	1470/1450	1455-6	1447-50	16,533 lots
Zinc ($ per tonne)						Ring turnover 1,475 tonne
Cash	1450-5	1475-85	1470	1470-5		
3 months	1410-5	1430-40		1430-5	1410-20	3,007 lots

LME Closing £/$ rate: SPOT: 1.5865 3 months: 1.5614 6 months: 1.5370 9 months: 1.5179

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Nov	131.0	130.0	130.0 129.0
Apr	196.3	197.0	196.5 195.8
May	224.4	225.0	224.7

Turnover 73 (337) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Feb	143.70	144.00	143.70
Apr	141.70	142.00	141.70

Turnover 20 (60)lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Nov	1689	1690	1686 1685
Dec	1688	1687	1688 1680
Jan	1695	1695	1698 1685
Apr	1698	1700	1700 1698
BFI	1657	1654	

Turnover 184 (290)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Nov	108.25	108.00	108.25
Jan	111.95	112.00	112.40 111.95
Mar	115.85	115.80	116.15 115.80
May	119.00	119.00	119.35 119.00

Barley	Close	Previous	High/Low
Nov	105.25	105.00	105.25
Jan	109.10	109.20	109.10
Mar	112.00	112.20	112.00
May	114.05	114.25	114.00

Turnover: Wheat 405 (376), Barley 109 (80).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Nov	126.0	125.5	125.0
Feb	114.0	115.5	114.0
Apr	115.0	116.0	

Turnover 97 (90) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	384-384½	242-242½
Opening	388-388½	244-244½
Morning fix	383.20	243.702
Afternoon fix	383.20	241.482
Day's high	388-388½	
Day's low	382½-383	

Coins	$ price	£ equivalent
Mapleleaf	393-398	248-251
Britannia	393-398	248-251
US Eagle	393-398	248-251
Angel	393-398	248-251
Krugerrand	383-386	241½-243½
New Sov.	90-92	56¾-57¾
Old Sov.	90-92	56¾-57¾
Noble Plat	497.45-505.30	313.55-318.50

Silver fix	p/fine oz	US cts equiv
Spot	331.75	526.50
3 months	344.55	538.20
6 months	356.25	548.60
12 months	379.85	570.90

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
1650	125	106	24	55
1750	65	59	62	105
1850	28	30	124	172
Copper (Grade A)	**Calls**		**Puts**	
2500	175	157	45	103
2600	115	110	84	154
2700	70	75	137	215
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
650	55	83	14	33
700	26	57	35	57
750	10	37	69	87
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
700	38	45	10	46
750	13	26	35	77
800	4		76	
Brent Crude	**Jan**	**Feb**	**Jan**	**Feb**
1800	73	75	26	60
1850	44	51	46	
1900	25	33	79	

US MARKETS

IN THE METALS, gold remained strong, adding on to its recent gains, reports Drexel Burnham Lambert. The December futures were up $2.40, closing at $390.80. Silver and platinum were mixed after two-sided activity. Prices rallied in the copper as potential strikes in Chile and lower Comex stocks provided support. In the softs, sugar was up slightly on carryover buying from Tuesday. Cocoa broke out of its tight range with prices climbing 30, basis March. Commission house short covering made up most of the volume. Coffee rose due to increased speculative buying. The grains continued to have slow sessions in front of Thursday's crop reports. The livestocks featured a strong rally in the bellies. Continued export demand and higher cash prices remain supportive. Live hogs and cattle were mixed. The energy markets were weak as technical selling pushed prices below support levels. December crude oil fell below $20.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	388.6	386.2	0	0
Dec	390.8	388.4	391.1	385.5
Jan	393.1	390.6	0	0
Feb	395.4	392.9	395.9	390.4
Apr	399.9	397.3	400.0	394.5
Jun	404.3	401.6	405.0	399.2
Aug	408.5	405.7	406.9	406.9
Oct	412.9	410.1	411.0	406.6
Dec	390.8	388.4	391.1	385.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	502.8	500.6	503.0	497.0
Apr	507.3	505.1	508.0	501.5
Jul	511.8	509.6	512.0	508.0
Oct	516.5	514.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	528.5	526.5	526.0	525.0
Dec	529.5	529.5	530.0	526.0
Jan	532.4	532.4	0	0
Mar	541.4	541.5	542.0	538.0
May	549.1	549.2	550.0	547.0
Jul	557.0	557.1	557.5	553.0
Sep	565.1	565.2	565.5	562.5
Dec	576.3	576.4	577.5	573.0
Jan	579.9	580.0	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 7	Nov 6	mnth ago	yr ago
1857.6	1856.6	1857.1	1878.2

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	129.87	129.56	128.41	136.63
Futures	130.72	130.06	129.15	139.58

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	115.45	112.85	116.00	114.90
Dec	114.05	111.15	114.40	112.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	19.82	20.02	19.94	19.73
Jan	19.67	19.79	19.75	19.61
Feb	19.49	19.60	19.56	19.46
Mar	19.35	19.46	19.43	19.35
May	19.10	0	19.18	19.10
Jun	19.03	19.07	19.07	19.00
Jul	18.92	18.95	18.92	18.90
Aug	18.78	18.84	18.78	18.78
Sep	18.74	18.76	18.74	18.74

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	5860	5988	5940	5860
Jan	5885	5959	5925	5860
Feb	5795	5867	5845	5785
Apr	5370	5399	5370	5350
May	5175	5224	5210	5165
Jun	5070	5104	5085	5070
Jul	5030	5061	5040	5030
Aug	5070	5111	5070	5070
Sep	5160	5201	5160	5160

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	997	965	998	970
Mar	1004	979	1009	986
May	1015	989	1016	989
Jul	1025	1001	1028	1012
Sep	1047	1015	1040	1025
Dec	1073	1047	1075	1057
Mar	1100	1075	1100	1100

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	77.22	75.73	77.85	74.75
Mar	79.11	77.70	79.90	77.25
May	80.82	79.63	81.90	79.25
Jul	82.60	81.75	83.50	81.00
Sep	85.25	83.55	85.00	83.80
Dec	88.00	86.75	88.00	86.65
Mar	90.75	89.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	14.45	14.40	0	0
Mar	14.84	14.79	14.89	14.65
May	14.58	14.52	14.62	14.41
Jul	14.34	14.24	14.35	14.18
Oct	13.74	13.69	13.77	13.67
Mar	13.02	13.05	13.10	12.97

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	74.90	74.70	75.00	74.50
Mar	76.60	76.54	76.65	76.27
May	77.05	76.95	77.10	76.80
Jul	77.06	77.00	77.05	76.85
Oct	70.05	70.10	70.10	69.80
Dec	67.15	67.11	67.25	67.03
Mar	67.75	67.75	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	129.45	123.45	129.80	129.00
Jan	124.00	124.45	124.30	123.60
Mar	124.25	124.90	124.75	123.60
May	125.05	125.30	124.30	124.30
Jul	125.75	125.90	126.00	125.70
Sep	125.90	126.15	126.00	125.70
Nov	125.10	125.35	0	0
Mar	125.10	125.35	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	563/0	584/2	584/4	562/0
Jan	576/6	578/2	578/0	575/6
Mar	589/6	590/6	590/4	588/4
May	600/4	600/0	601/4	599/0
Jul	608/0	607/4	608/6	606/0
Aug	608/0	607/4	609/0	607/0
Sep	598/2	598/0	599/0	597/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	19.22	19.29	19.29	19.15
Jan	19.44	19.56	19.53	19.39
Mar	19.87	19.98	19.98	19.80
May	20.23	20.33	20.30	20.19
Jul	20.53	20.65	20.62	20.50
Aug	20.56	20.67	20.75	20.58
Sep	20.65	20.70	20.80	20.65
Oct	20.72	20.85	20.70	20.75

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	181.8	131.7	181.9	181.1
Jan	180.7	180.7	180.8	180.1
Mar	180.6	180.0	180.9	179.3
May	179.7	179.1	180.0	178.8
Jul	179.4	179.0	179.7	178.5
Aug	178.5	178.0	179.7	178.5
Sep	178.7	178.0	179.5	177.5
Oct	179.0	178.0	179.7	179.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	238/0	238/0	238/2	237/4
Mar	241/4	241/4	241/6	241/0
May	245/2	245/2	245/6	244/6
Jul	248/4	249/0	249/2	248/2
Sep	242/0	242/0	242/6	242/0
Dec	238/6	238/6	239/0	238/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	403/6	405/2	405/4	402/4
Mar	407/4	409/0	408/6	406/2
May	388/2	387/0	388/4	385/6
Jul	358/0	357/2	358/0	356/0
Sep	362/4	362/2	363/0	361/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	74.67	74.52	74.80	74.25
Feb	74.42	74.17	74.45	74.05
Apr	74.40	74.25	74.45	74.17
Jun	71.45	71.27	71.46	71.17
Aug	69.55	69.55	69.70	69.55
Oct	68.90	68.80	68.95	68.75

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	47.80	48.32	48.20	47.55
Feb	47.85	48.20	48.00	47.50
Apr	44.77	44.87	44.90	44.40
Jun	48.82	48.85	48.85	48.42
Jul	49.07	49.22	49.15	48.80
Aug	47.75	47.62	47.75	47.50
Oct	43.60	43.50	43.55	43.50

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	63.47	61.55	63.55	61.90
Mar	62.90	61.07	62.97	61.32
May	61.72	60.37	61.87	60.40
Jul	59.95	59.15	60.80	59.20
Aug	57.90	57.10	58.60	57.50

LONDON STOCK EXCHANGE

Strong Footsie advance above 2,200

A move to lower interest rates in the US, announced by one small bank just before the official close of business in London, combined with technical factors, a spate of corporate activity and a strong advance by the building sector to power equities ahead yesterday and to close the FT-SE 100 share index above the psychologically important 2,200 level for the the first time since "Grey Monday", on October 16.

The one disappointment in the day's performance was the level of equity business. Turnover, reported as 427.7m shares at 5 pm, although up on Tuesday's 417.9m and Monday's 330.3m, was described by dealers as well below that expected after a session containing plenty of corporate stories and fundamental market news.

Account Dealing Dates		
*First Dealings:		
Oct 30	Nov 13	Nov 27
Option Declarations:		
Nov 9	Nov 23	Dec 7
Last Dealings:		
Nov 10	Nov 24	Dec 8
Account Day:		
Nov 20	Dec 4	Dec 18

*New time dealings may take place from 8.00 am two business days earlier

The market got off to a firm start, with share prices moving up as marketmakers responded to a number of early buying orders. While not exceptional in terms of size, the buying was said to have been in areas of the market where stock shortages have become acute. As one marketmaker put it: "The market, as everyone now knows, is short of stock and the shortages were where the biggest gains appeared on the screens." He pointed to the big rises in building and materials stocks, although there were more fundamental reasons for heavy gains in this area, and also to the banks and insurance sectors which posted substantial imporovements.

Wall Street, once again playing an important part in the day's events in UK markets, was also partly responsible for the opening strength of London. Up almost 15 points overnight, helped by reports that the Federal Reserve was easing monetary policy, Wall Street was full of running at the opening yesterday when it was around 25 points higher.

The FT-SE 100-share index, after opening with an 18.2 rise, moved through the 2,200 within an hour or so of the start of official trading, took a breather in mid-session and then made a late dash to close a net 25.6 higher at 2,203.8, accompanied by the news of a prime rate cut of a half-percentage point to 10 per cent by Southwest Bank of St Louis.

A number of individual stories emerged during the day. Mountleigh, the property group, were sharply higher after news that the company's chairman has sold his interests to two US businessmen. Sainsbury dipped despite interim profits in line with forecasts. Building groups were highlighted by heavy demand for companies involved in West Germany as the government there unveiled a crash programme of house-building partly following the huge numbers of East Germans flowing into the country.

But there were also casualties with Cookson and Coloroll hit by brokers reducing their profits forecasts, massively so in the case of Coloroll.

FINANCIAL TIMES STOCK INDICES

	Nov 8	Nov 7	Nov 6	Nov 3	Nov 2	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	84.37	84.05	84.02	83.75	83.87	86.46	89.28 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.61	93.55♦	93.31	93.29	93.30	97.34	98.59 (15/3)	93.20 (19/10)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1774.2	1753.6	1747.0	1746.4	1731.3	1479.8	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	256.8	245.2	234.2	231.5	220.3	173.8	256.8 (8/11)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2203.8	2178.2	2169.6	2173.1	2164.1	1825.7	2426.0 (5/9)	1782.8 (3/1)	2443.4 (18/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.66	4.71	4.73	4.73	4.77	4.73				
Earning Yld %(full)	11.20	11.34	11.36	11.37	11.45	11.90				
P/E Ratio(Net)(☆)	10.79	10.66	10.64	10.64	10.56	10.18				
SEAQ Bargains(5pm)	23,209	21,437	26,811	21,202	20,184	23,283				
Equity Turnover(£m)†	-	727.06	674.99	808.94	853.47	1135.17				
Equity Bargains†	-	19,655	20,313	20,788	19,884	24,905				
Shares Traded (ml)†	-	337.0	302.0	307.7	304.5	490.4				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.70

Ordinary Share Index, Hourly changes Day's High 1774.2 Day's Low 1765.7

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1767.8	1769.2	1769.0	1768.4	1766.7	1766.8	1770.6	1772.6

FT-SE, Hourly changes Day's High 2203.9 Day's Low 2193.8

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2196.4	2197.7	2199.5	2198.3	2198.6	2196.0	2199.1	2202.8

GILT EDGED ACTIVITY

Indices*	Nov 7	Nov 6
Gilt Edged Bargains	81.6	79.0
5 – Day average	88.6	90 5

*SE Activity 1974. †Excluding intra-market business & Overseas turnover Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request. ♦ Corrected figure. London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	1,700	138	-1	Courtaulds	1,200	353	+2	LASMO	538	532	+1	Saatchi & Saatchi	1,200	330	+4
Abbey National	3,200	149	+½	Dalgety	14	379	+3	Lonrho	1,800	269	-1	Sainsbury	3,725	256	-5
Allied-Lyons	1,400	464	+11	Dixons	2,300	106	-2	Lucas	567	588	+2	Scott & Newcastle	764	353	+6
Amstrad	884	46		Eng. China Clays	181	406	+5	MB Group	1,600	197	+5½	Sears	1,300	120½	+1½
Argyll Group	1,300	220		Enterprise Oil	195	603	+1	MEPC	350	585	+6	Sedgwick	1,900	297	+10
Ass. Brit. Foods	627	395	+5	Fisons	807	332	+3	Marks & Spencer	2,100	198	+5	Shell Transport	3,330	422½	-1
BAA	1,500	363	+7	General Accident	799	1050	+14	Maxwell Comm.	1,685	228	+1	Siebe	483	464	+5
BAT Inds.	2,000	769	+14	General Elect.	2,200	236	+2	Mecca Leisure	1,300	160	+1	Slough Ests.	423	299	+3
BET	1,200	267	+4	Glaxo	1,200	1470	+12	Midland Bank	682	332	+3	Smith & Nephew	1,300	135½	+1½
BICC	132	454	+1	Globe Inv.	248	182½	+3	Nat West Bank	3,500	312	+4	SmithKline Beecham	1,730	546	+6
BOC	1,300	489	-4	Glynwed Int.	81	242	+5	Next	2,700	95	-4	Smiths Industries	832	273	+16
BPB Inds.	1,200	239	+2	Granada	3,000	311	+2	Northern Foods	163	299	+2	Standard Chartered	821	503	+5
BTR	1,200	436	+6	Grand Met.	2,200	532	+11½	Pearl	74	634		Storehouse	1,800	106	
Barclays	1,800	472	-2	GUS A	124	1024	+10	Pearson	244	695	+6	Sun Alliance	1,900	297	+9
Bass	380	983	+27	GRE	747	222	+3	P & O	545	583	+7	T&N	616	191	+2
Blue Circle	583	222	+2	GKN	172	394	+7	Pilkington	7,100	229½	+14½	TI Group	278	429	-9
Boots	758	272	+5½	Guinness	2,400	595	-2	Polly Peck Intl.	4,300	339	+10	TSB	5,900	115	+2
Brit. & Comm.	1,400	117½	-7½	Hammerson "A"	52	768	+7	Prudential	2,400	202½	+6½	Tarmac	2,160	252	+7
Brit. Aerospace	879	549	+8	Hanson	7,400	223	+5	RHM	1,100	435	+3	Tate & Lyle	652	271	+4
British Airways	1,100	194	+1	Harrisons & Cros.	795	153	+1	RMC	703	646	+18	Taylor Woodrow	432	373	+1
British Gas	4,600	190	+3	Hawker Siddeley	563	640	+12	RTZ	2,000	544	+8	Tesco	7,253	192	+2
British Land	368	323	+1	Hillsdown Hldgs.	1,800	269	+7	Racal	2,900	233	+9	THORN EMI	2,700	768	+21
BP	3,100	308½	+2	IMI	120	219	+3	Rank Org.	465	837	+22	Trafalgar House	292	339	
British Steel	3,400	128	+1	ICI	928	1109	+20	Reckitt & Colman	11,000	1150	+4	Trusthouse Forte	875	292	+3
British Telecom	2,900	255	+2½	Inchcape	462	280		Redland	2,900	543	+17	Ultramar	1,700	337	+5
Burmah Oil	1,700	696	+13	Jaguar	5,100	826	-3	Reed International	469	415	+8	Unilever	6,800	631	-4
Burton	1,200	199	+4	Kingfisher	568	285	+3	Reuters	448	903	+9	United Biscuits	849	358	+2
Cable & Wireless	1,400	492	+1	Ladbroke	2,600	308	+12	Rolls Royce	887	168	+4	Utd. Newspapers	609	458	+7
Cadbury Schweppes	766	342	+1	Land Securities	847	519	+1	Rothmans	265	669	+6	Wellcome	488	681	+11
Carlton Comms.	330	790	+6	Laporte	165	465	+2	Royal Bk of Scotland	1,200	166	+2	Whitbread 'A'	99	360	+8
Commercial Union	1,400	469	+9	Legal & General	477	374	+8	Royal Insurance	3,100	483	+10	Williams Hldgs.	823	230	+5
Cookson	3,400	279	-11	Lloyds Bank	1,700	382		STC	825	266	-6	Wimpey	368	253	+13

New SHV stake lifts Burmah

Burmah Oil was galvanised in late trading as the company announced that SHV, the privately-owned Dutch company, had effectively increased its holding in the company to 9.144 per cent, or just over 16.5m shares, from 7.5 per cent.

Burmah were immediately marked higher and moved to within a penny of the 1989 high of 705p, before coming off to close a net 13 up at 696p. The company said SHV had "bought and contracted to buy" 2.133m shares on November 2 and that SHV had been asked to make a public statement regarding its intentions.

One sector specialist said the latest move by SHV "makes it quite clear that this is no longer a speculative story but a serious takeover story. It looks as if SHV are going to 15 per cent, will probably have a talk with Calor, where it has a 44 per cent stake, reverse Calor into Burmah and end up with a 40 per cent-plus holding in the enlarged group."

Other analysts agreed with this Burmah/Calor scenario. One said: "We're still at the beginning of the SHV build-up." Hoare Govett said: "We believe the fundamental value of Burmah is 700p a share anyway; in the circumstances of a hostile buyer, the shares should go up." Calor shares were marginally firmer at 433p.

Builders boosted

The building sector was given a boost by news that the West German government had agreed a crash programme to promote new house-building partly in response to the inflow of East Germans this year. The main beneficiaries were Redland, RMC and Pilkington, all of which are well placed in the West German house building industry.

Redland owns 56 per cent of Braas, West Germany's biggest concrete roof tile company, and it contributes around 25 per cent to Redland's group pre-tax profits. Meanwhile, 18 per cent of RMC's pre-tax profits come from West Germany, due to its ownership of the nation's largest ready mix concrete company. And Pilkington's ownership of Flachglas, one of the largest glass companies, contributes around 20 per cent of group pre-tax profits.

Mr Jeff Summers, of Hoare Govett, said it was difficult to estimate the precise profit implications of the news since it was not clear whether the spending would involve new funds or come from existing programmes. "Also, if, for example, they decide to buiid blocks of flats rather than houses, fewer roof tiles would be needed, which would affect Redland," he said.

Nevertheless, he said the impact on the already buoyant West Germany housing building industry would be substantial and said the rise in share prices was fully justified.

Redland closed up 17 at 543p, RMC finished 18 higher at 646p, and Pilkington added 14½ at 229½p.

Mountleigh shuffle

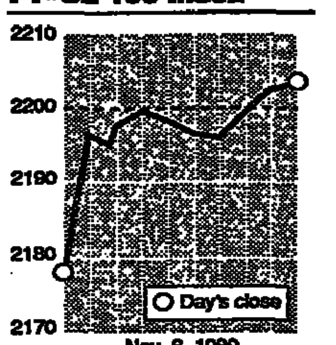
Mountleigh were boosted after news that two US businessmen, Mr Nelson Pelz and Mr Peter May, had bought 22.5 per cent of the UK property firm from its chairman for £70.4m. The move prompted a boardroom reshuffle with Mr Pelz replacing Mr Tony Clegg as chairman and chief executive. Mountleigh said Mr Pelz and Mr May did not intend to bid for the company in current circumstances.

Mr Will Martin of Smith New Court said there had been speculation that a bid for a UK property company was imminent and the news had not come as a surprise. Mr Pelz and Mr May had recognised an undervalued company with an asset value closer to £4 than yesterday's £2 sale price. "What it probably means is that they will take the company apart, selling its Spanish department store chain, Galerias Preciados. Mountleigh will not exist in its current form in six months time." Mountleigh closed up 25 at 163p.

Cookson earned the dubious distinction of being the worst FTSE 100 performer as shares fell by 3.8 per cent on downgradings from several securities houses. They included Citicorp Scrimgeour Vickers which now expects 1989 full year profits of £198m, down from its previous forecast of £202m, and £217m for 1990, down from £227m.

Explaining the reasons for the downgrading, Mr Chris Avery said: "Although the management is first class, we are cautious about the continuing weakness of Cookson's in both the UK and US markets.

FT–SE 100 Index



For example, we are concerned about white goods castings in the UK and electronics in the US." Some 3m shares were traded as the share price fell 11 to at 279p.

Clearing banks had a mixed day, with NatWest, 4 better at 312p after 316p, the best performer on a press report of the shelving of a $600m plan to buy a bank in Pennsylvania.

Barclays suffered after a downgrading from BZW, where Mr Julian Robins, the analyst there, cut his profits forecast for the current year from £1414m to £1328m – the market range is from less than £1300m to more than £1400m.

Mr Robins said he had reduced the figure because of the sale of third world debt at a greater discount than allowed for in provisions, the early pay-off of a loan to the Italian operation, local authority swaps, problems on US corporate lending, bad debt in West Germany and the persistence of problems at the Australian operation.

Volume in Morgan Grenfell slipped back to more usual levels after two days of busy trade in the wake of announcements that the merchant bank was seeking a white knight against a possible bid from Banque Indosuez of France. Even another cut in Hanson's stake in Morgan, by 650,000 shares to 3.75m shares, or 2.42 per cent, and the appearance of a new large stakeholder, Delaporte Establishment, with 2.23 per cent, failed to ignite trading. The shares added only a penny at 470p on steady turnover of 1.1m shares.

Negative press comment on the proposed sale of Gartmore by British & Commonwealth left the shares 7½ easier at 117½p.

Persistent shortage of stock squeezed brewery leaders better. Bass closed 27 up at 983p, Allied Lyons improved 11 to 464p, Grand Metropolitan climbed 11½ to 532p and Whitbread "A" finished 8 up at 360p. Trading volumes were unexceptional.

The unresolved Paris legal action regarding a block of shares in LVMH, the French luxury goods company, continued to undermine Guinness. The shares slipped 2 to 595p. Guinness holds a 24 per cent stake in LVMH which only has 12 per cent of Guinness. Analysts belive that the crossholding will only be made symmetrical when the legal wrangle is over.

Dixons fell back from a high of 110p on talk that the company might be about to issue a profits warning. The shares ended 2 down on the day at 106p. Ratners continued to power ahead on further consideration of the good showing made by jewellery in Monday's retail sales figures and on hopes for the crucial Christmas sales period. The shares firmed another 12 to to 277p.

Sainsbury fell back on profit-taking after interim figures in line with market expectations. Sainsbury's first half pre-tax profit rose 15 per cent to £215m, compared with £186m last year and analysts' predictions of £210m-£220m.

Mr John Woolman of Citicorp Scrimgeour Vickers said: "The results were good; they just didn't have the cream on them." He noted that margins had only increased from 6.59 to 6.71 per cent. Despite these reservations, Mr Woolman said the arguments favouring Sainsbury's over Tesco remained, but he thought that Sainsbury's recent 5 per cent premium over Tesco's could narrow. The shares finished down 5 at 256p.

County NatWest WoodMac pushed electronics components stocks and Electrocomponents, Farnell and Diploma advanced 5 to 197p, 6 to 143p and 6 to 161p respectively. "They have underperformed tragically over the last 5 years," said Mr Ian MacLeod, analyst at County. He said that Electrocomponents, for example, had 100,000 customers and specialised in quick delivery in small quantities – the sort of supplier that companies are tempted to use in troubled times. He added that Electrocomponents was now challenging Ferranti for the position of the UK's fourth largest electronics company by market capitalisation.

Thorn EMI benefited from the go-ahead of the flotation of Polygram by Philips in the Netherlands. Mr Brian Newman, analyst at Henderson Crosthwaite, said that the rating given to Polygram supported his break-up valuation on the company of £12 a share. Thorn's music business accounts for nearly one-third of that £12. "Over 50 per cent of Thorn's profits come from outside the UK," added Mr Newman, highlighting the company's defensive strength. The shares closed up 21 at 768p and interims are due on November 16.

Recent purchases by directors of Multitone shares inspired confidence and the price firmed another 7 to 75p. Holmes Protection jumped 9 to 70p on vague talk of a bid from ADT. Renewed talk that Dr Tito Tettamanti, the Swiss-based entrepreneur, was adding to his 17.15 per cent stake in Unitech pushed the shares up 12 to 384p. The Swiss group Electrowatt has 29.9 per cent of Unitech

Hunting confirmed that the Treasury had "voiced doubts" about an RAF anti-armour weapon project for which the company is competing, but said the Ministry of Defence had declared its firm commitment to the project. The shares had fallen to around the 220p before bouncing on the announcement to close just 7 lower on the day at 238p.

Hawker Siddeley, continued to be driven by the positive "buy" note put out by James Capel on Monday. Shares rose a further 12 to close at 640p.

Further orders from UTA, the French airline, and from Polaris Aircraft leasing for Airbuses, for which British Aerospace builds the wings, helped BAe shares add 8 at 549p. An analyst said: "The share price is now performing on positive expectations of next year's profits and long term considerations."

Dowty moved up a further 14 to end the day at 248p on Tuesday's news that the company had won a £6m development contract for the control system of the European fighter aircraft. An analyst said: "The market has had a change of sentiment on the company. Everyone has realised now that the company can win European fighter aircraft contracts."

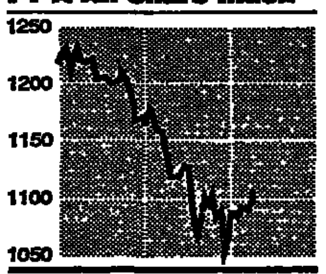
Shares in Coloroll, plummeted 12 to 83p on fears that interim results due next week could be even worse than recently predicted. One analysts said further downgradings were likely. "We keep getting negative news about the company. We can't expect a pretty picture on the profits," he said.

Smith Industries rose 15 to 272p as the market anticipated strong full-year figures on November 15.

Vickers went 5 better and closed at 220p as it was announced that IEP Securities, controlled by Sir Ron Brierley, now has a 15 per cent stake in the company.

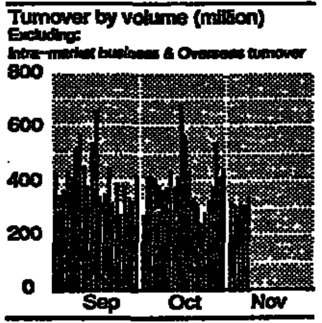
■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 28

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (57).
BRITISH FUNDS (2) Treas. 2pc IL 1990, Treas 3pc 1990, CANADIANS (3) Am. Barrick Res., Cons. TVX Min., BUILDINGS (1) Smart (J.) STORES (1) Clinton Cards, ELECTRICALS (2) Ross Cons. Elect., Unitech, INDUSTRIALS (2) BTR Nylex, Jardine Strategic, INSURANCE (4) Comm. Union, Heath (C.E.), Lloyd Thompson, Sedgwick, SOUTH AFRICANS (1) Tiger Oats, TRUSTS (9) Drayton Far East., Do. Warrants 1992-91, Fleming Far Eastern, Fleming Japanese, Fleming Overseas Tst., Govett Oriental, Precious Metals Tst. Templeton Em. Mkts., Do. 1pc Ln., MINES (22) Anglo Amer., Anglo Am. Gold, Aztec Expln., Beatrix, Cluff Res., Deelkraal, Dominion Mng., Doornfontein, Driefontein, Durban Deep, Elandsrand Gld., Elsburg, F.S. Cons. Gold, Gold Fields S.A., Hartebeest, Homestake Mng., Impala Plat., Kidston Gold, Kinross, Kloof Gold, Leslie, Northgate, OFS Invs., Rand Min. Prps., Rus. Plat., Southvaal, St. Helena, Stilfontein, Unisel, Welkom Gold, Western Areas, Winkelhaak.

NEW LOWS (34).
AMERICANS (5) Dana Corp., General Host, Gt. American Bk., TRINOVA, Texas Instr., BREWERS (1) Clark (M.) STORES (2) Euro Home Prods., Tie Rack, ELECTRICALS (5) CPU Cmps., Headland, P & P, Riva Grp., Utd. Scientific, FOODS (1) Iceland Frozen, INDUSTRIALS (5) Amer. Grp., Benson, Bibby (J.), Coloroll, Courtney Pope, Kershaw (A.), MOTORS (1) BTS, PAPERS (1) Peters (M.), PROPERTY (5) INOCO, Merchant Mard. Ests., Trencherwood, Travian, Zurich Grp., TRANSPORT (1) Seafield, TRUSTS (5) Burns-Anderson, Fashion & Gen., Guidehouse, Do. Wrnts., Jarkata Fd., OILS (1) Century.

APPOINTMENTS

Reed International changes

Mr Peter J. Davis, chief executive, additionally becomes chairman of REED INTERNATIONAL when Sir Stanley Grinstead retires from the post on December 31. Sir Stanley will remain a non-executive director until the annual meeting next July. Mr Davis joined Reed International from J. Sainsbury in March 1986 as deputy chief executive, and became chief executive in November 1986. Sir Keith Skinner retires from executive duties in March 1990 and from the board at the agm. Mr Ron G. Segel and Mr Ian A.N. Irvine have been appointed deputy chief executives. Becoming executive directors are Mr Robert L. Krakoff, Mr Ian L.M. Thomas, Mr R. Graham McVey, and Mr John Mellon. All the new posts are from January 1.

■ Mr Stuart Harland, while remaining head of the special finance department, has been appointed deputy general manager, SANWA BANK, London. Mr Ian Hosier becomes assistant general manager, aerospace finance. He was a vice president, Chemical Bank. Mr John Watkins has been promoted to assistant general manager, project finance (infrastructure).

■ Mr Tony J. Rush has been appointed chief operating officer and a main board director of LILLEY, Glasgow, from November 13. He was a senior divisional executive with Tarmac Quarry Products, and managing director of Tarmac Roadstone Scotland.

■ Mr Ian Ward, chief general manager, has been appointed to the board of NORWICH AND PETERBOROUGH BUILDING SOCIETY. He becomes chairman of subsidiary Norwich and Peterborough Financial Planning.

■ Mr Simon Case has been appointed a director of corporate finance at CARLTON COMMUNICATIONS. He was assistant to the chairman of The British Land Co.

■ THOMAS JOURDAN has appointed Mr Michael Styles as group managing director. He was a divisional managing director at Nabisco.

■ Mr H.M.P. Miles has been appointed a director of THE FLEMING FAR EASTERN INVESTMENT TRUST. He is a director of Swire Pacific, and Cathay Pacific Airways.

■ EMAP has appointed to its board Mr Kevin Hand, chief executive, consumer magazine division; Mr Gerry Murray, chief executive, business publishing; and Mr Rob Mackenzie, chief executive, exhibitions.

■ Employee shareholders have elected to the board of HARLAND AND WOLFF HOLDINGS Mr Robert Haughey, zone manager on the BP swops vessel, and an employee shareholder.

■ Mr David Frith has been appointed finance director of the MICKLEGATE GROUP, Leeds. He is finance director of Hallamshire Investments.

■ Mr Denis Greenwood has been appointed a non-executive director of PARKLAND TEXTILE (HOLDINGS).

■ Through its subsidiary, Robertson ERC, the Robertson Group has acquired a 31 per cent interest in ERC - Energy Market Consultants. ERC will be represented on the board of EMC by Mr David Fishman, managing director of ERC's economics division.

■ Mr Christopher Rouse has been appointed development director of BAA HOTELS. He joined from the Mandarin Oriental Hotel group in Hong Kong.

■ Mr Graham Ethelston has been appointed managing director of newly-formed invoice discounting company, Schroder Discount, a subsidiary of J. HENRY SCHRODER WAGG & CO. He was deputy managing director of Bank of Scotland subsidiary Kellock.

George Band to join Premier

Mr George Band (above) becomes deputy chairman of PREMIER CONSOLIDATED OILFIELDS on February 1.

He became director general of the United Kingdom Offshore Operators Association in 1984, and retires at the end of this year.

He joined the Royal Dutch/Shell Group in 1957, and during 28 years' service was a director of Shell Exploration and Production in the UK, and managing director for Malaysian exploration, and production companies in Sarawak and Sabah.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (2000)H
90 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	5	54.25	54.25	58.03	+0.31	4.72
Gilts & Fixed Int	6	108.70	108.70	115.80	...	8.64
High Inc Equity	6	128.70	132.3xd	140.7	+1.50	4.51
Worldwide Bond	6	203.00	203.00xd	215.90	-0.60	4.91
Capital Growth						
American Growth	6	195.90	198.60	211.30	+1.10	0.98
Asian Pacific	6	113.10	115.70	123.10	-0.30	1.06
Assets & Earnings	6	151.10	151.10xd	161.70	+1.60	2.29
Capital Reserve Acc	0	87.76	87.76	87.94	+0.10	4.55
Capital Reserve Inc	0	77.90	77.90	78.06	+0.09	5.12
Country & Energy	6	116.20	119.00	126.70	+4.20	1.50
1992 Enterprise	6	58.43	58.43	62.50	+0.30	2.05
Euro Capital Acc	6	91.78	92.88	98.810	+0.38	0.76
Euro Capital Inc	6	88.50	89.55	95.27	+0.37	0.79
General	6	171.00	171.00	182.90	-1.59	2.73
International	6	56.15	57.01	60.65	+0.78	0.82
Japan	6	121.60	124.20xd	132.20	-1.10	0.00
Mastertrust	6	89.49	89.49	95.72	+0.57	1.78
UK Growth Acc	6	177.10	177.10xd	189.50	-0.30	1.48
UK Growth Dist	6	116.90	116.90xd	125.10	+0.10	2.24
US Emerging Cos	6	53.79	55.42xd	58.96	+0.67	—
Income & Growth	6	290.80	298.40xd	317.50	+3.90	3.23
Ethical	6	45.50	46.94	49.94	+0.26	2.00

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5¼	32.77	32.77xd	34.98	....	2.79
European	5¼	70.73	70.92	75.71	-0.31	0.00
European Income	5¼	67.80	67.80	72.37	-0.27	2.48
Exempt	1	755.5	755.5xd	785.8	+5.60	1.85
Extra Income	5¼	42.39	42.39	45.25	-0.52	4.51
F East Emerg Econs	5¼	59.54	59.72	63.96	-0.12	0.22
Fund Inv Tst	5	124.7	128.0xd	136.7	+0.20	1.88
Do Accum	5	195.5	200.9xd	214.3	+0.40	1.88
Gilt & Fixed Int	5¼	20.54	21.27	22.70	+0.02	10.51
Income & Growth	5¼	68.59	68.59xd	73.22	-0.46	3.93
Intl Income	5¼	64.64	64.64xd	69.01	+0.31	4.79
Japan	5¼	214.9	214.9	229.5	+1.30	0.00
Pacific	5¼	436.6	436.6	467.6	-0.60	0.18
Secure Income	5	188.8	188.8xd	201.6	-1.70	5.94
Smaller Companies	5¼	54.24	54.24	57.90	-0.20	2.29
Special Situations	5¼	66.99	66.99xd	71.51	+0.38	1.13
UK Growth	5¼	36.08	36.08xd	38.51	-0.46	2.21
World Growth	5¼	53.49	53.49xd	57.10	+0.08	0.01

Acorn Unit Trust Managers Ltd (1100)F
1 White Hart Yd, London Bridge SE1 1NX 01-407 5966

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Ethical Tst	5	103.9	107.9	113.5	+2	2.62
Do Accum	5	105.8	110.0	115.5	+0.8	2.62

Aegis Unit Tst Mngmt Ltd (1400)F
94 Whiteladies Rd Bristol, BS8 1QX 0272 237593

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Growth	6	48.96	49.82	53.26	....	1.50
Managed Income ♦	3	50.38	50.61	52.13	-0.03	5.00
CAMco Intl Recovery	5	48.14	49.99	52.62	-0.18	1.69
Clifton Prem Perf	6	51.41	52.58	55.94	-0.25	1.60
Global Sector P'folio ♦	6	48.29	48.81	51.93	+0.11	3.00
IPS Income & Gwth	6	51.64	52.21	55.54	-0.32	5.00
St Nicholas St Gth Inc	5	44.60	45.76	48.94	+0.67	4.70
St Nicholas St Gth Acc	5	46.59	47.81	51.13	+0.7	4.70
Blackstone Frank UK	5	43.38	44.39	46.73	+0.41	1.50
Blackstone Franks UK Acc	5	44.09	45.12	47.49	+0.42	1.50
Blackstone Franks Int	5	56.21	57.61	60.64	-0.05	1.50
Blackstone Franks Int Acc	5	56.70	58.11	61.17	-0.05	1.50

AEtna Unit Trusts Ltd (1600)F
AEtna House, 2-12 Pentonville Road, London, N1 9XG
Dealing: 0277 261010 Advice: 01-837 6494

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
European Growth	5	153.3	153.3	164.6	+2.00	0.74
Exempt	2	410.2	410.2	431.7	+2.80	5.49
(Accum Units)	2	1076.0	1076.0	1131.0	+7.00	5.49
Far Eastern	5	270.6	270.6	289.4	-1.10	0.00
(Accum Units)	5	294.4	294.4	315.3	+1.30	0.00
Fin & Property	5	70.30	74.04	78.42	+1.10	2.70
(Accum Units)	5	116.7	122.8	130.1	+1.90	2.70
High Yield	5	83.51	85.51xd	90.58	-0.91	5.49
(Accum Units)	5	212.2	217.3	230.1	+2.10	5.49
Iberian Growth	5	61.59	61.59xd	65.83	-0.80	0.00
Income & Growth	5	330.2	335.9	355.7	+4.10	4.67
(Accum Units)	5	1157.0	1176.0	1245.0	+14.0	4.67
Intl Earnings	5	216.5	216.5xd	229.3	+2.60	2.49
(Accum Units)	5	337.6	337.6	357.5	+4.00	2.49
Intl Growth	5	113.7	115.5xd	123.0	-0.30	0.18
(Accum Units)	5	119.8	121.7	129.6	-0.30	0.18

Buckmaster Mangmt Co Ltd—Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
International	5	114.4	114.4	121.0		2.06
(Accum Units)	5	157.4	157.4	166.5	-0.01	2.06
Smaller Co's	5	102.3	102.3	108.2	+0.4	2.23
(Accum Units)	5	112.4	112.4	118.9	+0.5	2.23
Inv Portfolio	2½	52.19	54.19	55.87	-0.67	3.66
(Accum Units)	2½	54.18	56.25	57.99	-0.69	3.59
High Income Port	3	46.16	46.56	48.25	-0.06	5.98

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 01-480 7216

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Shd Dtd Gilt & FI	1½	54.69	54.69	55.47	+0.02	12.84

CCF Foster Braithwaite UT Mngt (1100)F
1 White Hart Yard, London SE1 1NX 01-407 5966

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
F & B Sel Intl Gwth	5½	49.08	49.08xd	52.80	-1.93	1.42

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Green, W12 8SD 01-740 7070

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK General Tst	5½	52.80	52.80	57.51	-0.56	2.23
Global Tst	5½	45.36	45.36xd	49.07	-0.29	2.01
Recovery Tst	5½	46.22	46.22	51.49	+0.46	1.92

CIBC Unit Tst Managers plc (1200)H
Cottons Ctr, Cottons Lane Ldn SE1 2QL 01-234 6000

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Fd Acc	5	108.3	109.9xd	115.9	+1.5	4.52

CIS Unit Managers Ltd (1000)F
PO Box 105, Manchester M60 0AH 061 837 5060

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Growth	6	97.21	98.79	105.1	+1.4	2.50
UK Income	6	96.74	98.41	104.7	+1.2	5.57

CS Fund Managers Limited (1000)H
125 High Holborn, London WC1V 6PY 01-242 1148

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
CS America	5	63.31	63.31	67.35	-0.72	1.18
CS International	5	58.30	58.30xd	62.02	-0.36	1.83
CS Japan	5	150.5	150.5	160.1	+0.9	0.29
CS Portfolio Inv ♦	5	69.79	69.79	74.24	-0.94	3.08

Canada Life Unit Tst Mgrs Ltd (1200)F
High St, Potters Bar, Herts. EN6 5BA 0707 51122

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Can Gen Dist	5	141.0	143.7	151.2	+2.30	3.06
Do Gen Accum	5	238.1	242.7	255.4	+3.90	3.06
Do Income Dist	5	90.51	92.95xd	97.84	-1.06	5.76
Do Inc Accum	5	213.2	219.0	230.5	+2.50	5.76
Gilt & Fxd Int	5	35.97	36.10	38.00	+0.07	8.45

Cannon Fund Managers Ltd (0700)H
1 Olympic Way, Wembley, HA9 0NB
01-902 8876 Dealing: 0800 282621

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth	5¾	36.91	37.41	40.01	-0.25	2.56
Income	5¾	46.46	47.31	50.60	+0.40	4.11
Far East ♦	5¾	40.03	40.79	43.39	-0.12	0.05
North American ♦	5¾	39.25	39.69	42.45	-0.34	1.69
Global ♦	5¾	56.32	57.28	60.94	-0.02	1.61
European	5¾	58.23	58.23	62.98	-0.38	0.85
Japan ♦	5¾	118.3	120.4xd	128.1	+1.00	0.01

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Managed	6	56.22	57.12	60.77	+0.38	2.16
Money Market	6	55.04	55.04	58.34	+0.01	12.84
North American	6	57.95	59.24	63.02	-0.19	0.45
Midland FSAVCS Unit Trust *						
British	6	54.63	55.34	58.87	+0.91	3.13
European Growth	6	59.19	59.30	63.09	+0.24	0.91
Gilt & Fixed Int	6	49.68	49.76	52.94	+0.10	8.77
Income	6	53.98	55.01	58.52	+0.74	4.63
Japan Growth	6	61.95	62.32	66.30	+0.30	0.00
Managed	6	54.38	55.26	58.79	+0.38	2.17
Money Market	6	52.19	52.19	55.32	+0.01	12.85
North American	6	57.23	58.46	62.19	-0.18	0.45

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
W'wide Bond Acc	5	55.76	55.76	58.81	+0.14	5.77
W'wide Bond Inc	5	53.05	53.05	55.95	+0.12	5.77
Emerging Asia Acc	5	92.66	92.66	99.31	-0.02	0.00
Emerging Asia Inc	5	92.66	92.66	99.31	-0.02	0.00
UK Money Mkt Acc	0	50.96	50.96	50.96	+0.01	14.00
UK Money Mkt Inc	0	50.96	50.96	50.96	+0.01	14.00
Thailand Inc	5	45.95	45.95	49.12	-0.38	0.62
Thailand Acc	5	45.95	45.95	49.12	-0.38	0.62

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA 01-588 3963

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
PM Equity Gth	5	114.6	114.6	121.9	+1.4	2.83
PM Income & Gth	5	92.75	92.75	98.67	+1.21	4.43

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init. Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Wellington Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1						01-407 4404
Wellington Income	5¼	133.9	185.3xd	189.9	+0.8	5.69
Wellington Growth	5¼	212.0	213.9xd	227.6	-0.6	1.46
Wessex Asset Management (1330)F						
1 Richmond Hill, Bournemouth BH2 6HW						0202 292432
Wessex UK Gwth	4½	106.9	110.5	115.3	+1.3	2.94
Whittingdale Unit Tst Mgmt Ltd						
2 Honey Lane, London EC2V 8BT						01-606 3132
Challenger ♦ F	2½	60.14	60.14xd	61.69	-0.03	0.27
Short Dtd Gilt ♦ F	1¼	81.67	81.67	82.85	+0.07	6.89
U.S. Govmt Bond ♦ F	1¼	5.5794	.5794xd	.5829	[illegible]	0.00
Willis Financial Services Ltd (0905)F						
PO Box 515 Austin Friars, London EC2						01-588 7511
Aust Friars W'wide	5	187.6	190.9	203.0	+1.3	2.60
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD						01-405 8331
Growth & Equity	5	56.09	59.21	62.95	-0.01	7.51
European	5	72.41	72.77	77.41	-0.96	0.10
Far Eastern	5	62.76	65.85	70.07	+0.48	0.64
Growth Inc	5	77.16	80.93	86.09	+0.47	1.59
Growth Acc	5	77.25	81.00	86.17	+0.48	1.59
Income Inc	5	73.21	77.60	82.55	+0.68	5.14
Income Acc	5	73.31	77.71	82.66	+0.69	5.11
Property Share	5	48.09	48.09	51.26	+0.74	1.09
Smaller Co's	5	49.31	49.31	52.56	+0.4	1.82
Nth American	5	62.58	62.58	66.92	-0.18	1.64
International	5	47.27	47.27	50.55	-0.74	1.48
Asset Value	5	157.31	157.31	168.24	+2.86	4.43
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY						01-588 0592
Intl Growth	5	111.29	111.29	117.15	-0.44	0.00
UK Growth	5	91.47	91.47	96.28	+1.37	3.32
UK Income	5	95.10	95.10	100.10	+0.86	4.50
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield						0484 602250
Yorkshire General	5¼	56.33	56.33	62.23	+0.34	2.91
YUTM UK Eqty Inc Tr	5¼	55.67	57.84	61.00	+0.44	4.91
YUTM Intl Gwth Tr	5¼	53.98	53.98xd	57.59	+0.27	0.76

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gr's
Baillie Gifford & Co Ltd				
Int'l Exmt Oct 4	560.4	581.9	—	0.67
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ				01-588 1815
Inv Fund Oct 31		512.35	—	4.98
Fxd Int Sec Oct 31		136.45	—	10.48
Deposit Oct 31		100.00	—	14.22
Charinco/Charishare‡‡ (1000)F				
33 King William Street, EC4R 9AS				01-280 2800
C'inco Inc Nov 8	162.2	166.4	+0.30	9.86
C'inco Acc Nov 8	681.9	699.6	+1.50	9.86
C'share Inc Nov 8	151.4	157.1	+2.40	3.80
C'share Acc Nov 8	167.6	174.0	+2.80	3.80
CAFINVEST–Charities Aid Foundation				
48 Pembury Rd, Tonbridge TN9 2JD				0732 771333
Balanced Growth	50.52	51.97	+1.97	4.00
Income	49.21	50.22	+0.22	8.00
Charities Official Invest. Fund‡‡				
2 Fore Street, London EC2Y 5AQ				01-588 1815
Income Oct 31		489.94	—	5.23
Accum Oct 31		1657.68	—	—
Edinburgh Fund Mngrs PLC				
Exempt Funds				
American Nov 8	140.7	144.6	-2.6	1.55
Managed Nov 8	135.3	140.4	+0.8	2.05
Japan Nov 9	152.7	156.9	-2.7	0.13
Pacific Nov 3	538.7	553.5	+25.1	0.19
Sm Jap Cos Nov 3	374.0	384.3	-1.6	0.09
Fidelity Investment Services Ltd				
Magd Pens P'folio	130.8	134.3	+0.90	0.80
Robert Fleming Asset Mngmt Ltd				
Am Exempt Nov 7	£432.61	439.83	—	2.06
Gen Exempt Nov 7	£124.46	127.56	—	3.96
Jap Exempt Nov 7	£691.26	709.81	—	0.54
Pacific Exempt Nov 7	£100.63	103.03	—	2.61
Indexed Exempt Oct 26	£113.25	116.08	—	4.39
O'seas Indexd Eqs Oct 26	£114.09	116.65	—	1.87
Contl Euro Exmpt Nov 7	£91.18	92.97	—	2.80
Foreign & Colonial Pens Magt Ltd				
Exempt Funds				
Anglo-Nippon Nov 6	2247.5	2358.2	-27.0	0.82
European Inc Nov 6	104.4	110.1	-2.4	1.90
European Acc Nov 6	109.4	115.4	-2.4	1.90

[illegible]

INSURANCES

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

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Premium Life Assurance Co Ltd
37-39 Perrymount Road Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or –	Yield Gross
American	[illegible]	129.0	+2.0	–
Building Soc. Fd	176.0	1[illegible]6.0		–
Balanced	2[illegible]4.0	287.0	+1.0	–
European	[illegible]	1[illegible]1.0	+2.0	–
GT Managed	[illegible]	153.0		–
Gartmore Mngd	126.0	[illegible]3.0	+1.0	–
German	13[illegible].0	147.0		–
Gilt	174.0	184.0		–
Global	49.0	52.0		–
High Inc	106.0	112.0		–
International Equity	188.0	198.0	+2.0	–
Japan	27[illegible].0	2[illegible]3.0	+2.0	–
Managed	56.0	59.0	+1.0	–
Property	[illegible]	314.0		–
R. W. Imperial Gold	148.0	156.0		–
UK Equity	315.0	332.0	+3.0	–
Pension Funds				
American	15[illegible].0	1[illegible]5.0		–
Building Soc. Fd	1[illegible].0	1[illegible]9.0		–
Balanced	[illegible]	2[illegible]6.0		–
European	188.0	198.0		–
German	[illegible]	1[illegible]1.0		–
Gilt	152.0	162.0	+1.0	–
International Equity	141.0	149.0		–
Japan	1[illegible]3.0	151.0		–
Managed	62.0	65.0	+1.0	–
Property	228.0	240.0		–
UK Equity	302.0	318.0	+2.0	–

Professional Life Assurance Co Ltd
Frobisher Hse, Nelson Gate, Southampton 0703 232323

Pension Managed Fund	91.33	95.53		–
Pensions Cash Fund	81.37	85.65		–

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733

Prudential Holborn Pensions Ltd – Contd.

Prudential Pensions Limited

Regency Life Assurance Co Ltd

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
100	98¾	Exch 10¼pcCv '89	100xd	.....	–	–
101⅝	99½	Treas 13pc 1990‡‡	99½	+1/16	13.06	14.72
133¼	124	Treas 2pc IL '90(84.6)	133¼	+1/16	2.09	9.98
99⅞	98½	Exch 11pc 1990‡‡	99	+1/16	11.11	14.30
101¼	99½	Exch. 12½pc 1990	99¼	+1/16	12.59	14.48
96	91⅝	Treas. 3pc 1990	96	+1/16	3.13	11.74
97¼	95¼	Treas 8¼pc 1987-90‡‡	97xd	+1/16	8.51	13.82
98½	95¼	Treas. 8pc Cv 1990 ‡‡	96⅝	+⅛	8.29	13.54
98½	96⅜	Treas. 10pcCv 1990	97⅛	+⅛	10.30	13.35
93½	87½	Exch 2½pc 1990	92¼xd	+1/16	2.70	10.05
101½	98⅝	Treas 11¾pc 1991	98⅝	+1/16	11.92	13.03
93¼	89⅞	Funding 5¾pc '87-91‡‡	93⅛	+⅛	6.18	11.23
90⅞	86⅛	Treas. 3pc 1991	90½xd	.....	3.31	9.86
100⅜	95½	Treas 10pc Cv '91 ‡‡	96⅝	+⅛	10.37	12.40
101¼	96½	Exch. 11pc 1991	97½	+⅛	11.25	12.30
94¼	91⅛	Treas. 8pc 1991	92¼xd	+⅛	8.66	12.25
106⅛	100½	Treas 12¾pc 1992‡‡	101¼	+⅛	12.53	11.76
99½	95½	Treas 10pc 1992	96⅞	+⅛	10.37	11.79
94⅛	90½	Treas. 8pc 1992 ‡‡	92⅛	+⅛	8.65	11.76
100¼	96½	Treas 10½pc Cv 1992‡‡	97⅝	+⅛	10.75	10.62
85⅝	82¼	Treas. 3pc 1992	84¼xd	+⅛	3.54	9.82
105½	100⅛	Exch. 12¼pc '92	101¼	+⅛	12.09	11.65
109¼	103½	Exch 13½pc 1992	104⅝	+⅛	12.90	11.52
94⅜	90½	Treas 8¼pc 1993	91⅛	+⅛	9.02	11.41
100⅛	95⅞	Treas 10pc 1993‡‡	96½	+⅛	10.36	11.22
108¼	102½	Treas 12½pc 1993‡‡	103½	+⅛	12.07	11.27
88⅛	84⅛	Funding 6pc 1993‡‡	86½	−⅛	6.91	10.20
113¼	107½	Treas 13¾pc 1993‡‡	108⅛xd	+⅛	12.71	11.18
94⅛	89¼	Treas. 8½pc 1994	91⅛	+⅛	9.33	11.18
117⅝	111⅛	Treas 14½pc 1994‡‡	111½	+⅛	12.98	11.00
113½	107⅛	Exch 13½pc 1994	108⅛	+⅛	12.49	11.13
100¼	95½	Treas. 10pc Ln. 1994‡‡	96½xd	+⅛	10.36	10.99
110¼	104⅛	Exch. 12½pc 1994	104½	+⅛	11.91	11.12

Five to Fifteen Years

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
96½	91½	Treas 9pc 1994‡‡	92½xd	+⅛	9.70	10.90
108½	102½	Treas 12pc 1995	103½	+⅛	11.59	11.06
79⅞	72	Exch 3pc Gas 90-95	76½	.....	3.92	8.45
101½	95¾	Exch. 10¼pc 1995	97⅛	+⅛	10.56	10.93
113½	107¼	Treas 12¾pc 1995‡‡	108⅛xd	+⅛	11.77	10.83
119½	112	Treas. 14pc '96	112½	+⅛	12.40	11.03
97½	91⅞	Treas. 9pc 1992-96‡‡	92⅛	+⅛	9.74	10.67
126½	119	Treas 15¼pc 1996‡‡	119⅞	+⅛	12.73	10.88
117⅞	110	Exch 13¼pc 1996‡‡	110½xd	+⅛	11.93	10.84
101⅞	94½	Conversion 10pc 1996	96⅛xd	+⅛	10.36	10.72
118½	110¼	Treas 13¼pc 1997‡‡	111½	+⅛	11.84	10.81
104¼	97¼	Exch 10½pc 1997	98½	+⅛	10.62	10.71
95½	88¾	Treas 8¾pc 1997‡‡	90½	+⅛	9.64	10.49
128⅝	120⅜	Exch 15pc 1997	121⅛	+⅛	12.37	10.93
100½	93½	Exch. 9¾pc 1998	95⅛	+⅛	10.23	10.60
84⅞	78⅝	Treas 6¾pc 1995-98‡‡	80½	+⅛	8.36	10.20
134⅞	125⅛	Treas. 15½pc '98‡‡	126⅜	+⅛	12.24	10.76
113½	105¼	Exch. 12pc 1998	107⅛xd	+⅛	11.19	10.72
100⅛	93⅜	Treas 9½pc 1999‡‡	95⅛	+⅛	10.00	10.33
115⅞	107½	Exch. 12¼pc 1999	109⅛	+⅛	11.23	10.68
105⅝	97⅞	Treas. 10½pc 1999	99½xd	+⅛	10.58	10.56
104⅛	96½	Conversion 10¼pc 1999	98¼xd	+⅛	10.44	10.55
94⅛	86⅞	Treas. 8½pc Ln 2000‡‡	88½	+⅛	9.57	10.27
97⅛	90	Conversion 9pc 2000‡‡	91⅞	+⅛	9.79	10.29
122⅛	113⅛	Treas. 13pc 2000	114⅛	+⅛	11.35	10.67
103⅝	95⅝	Treas 10pc 2001	97⅛	+⅛	10.27	10.38
124½	115½	Treas. 14pc '98-01	117xd	+⅛	11.96	10.87
102⅜	94⅛	Conversion 9¾pc 2001	95⅞	+⅛	10.15	10.33
113½	105½	Exch. 12pc '99-02	107⅛	+⅛	11.21	10.75
104½	96⅛	Conversion 10pc 2002	98	+⅛	10.19	10.27
102½	94½	Treas 9¾pc 2002	96⅝	+⅛	10.10	10.23
97½	89½	Exch. 9pc 2002	91½xd	+⅛	9.82	10.16
126½	117⅛	Treas. 13¾pc 2000-03	118¼	+⅛	11.56	10.72
105⅜	97¼	Treas 10pc 2003	98½	+⅛	10.09	10.11
113½	104⅛	Treas. 11½pc 2001-04	106⅛	+⅛	10.82	10.53
106⅛	97⅞	Treas. 10pc 2004	99½xd	+½	10.06	10.08
59⅞	55	Funding 3½pc '99-04	56	+⅛	6.21	8.88
102½	94¼	Conversion 9½pc 2004	96	+⅛	9.89	10.01

BRITISH FUNDS—Contd

Over Fifteen Years

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
103⅛	94½	Conversion 9½pc 2005	96⅛	+⅛	9.87	9.98
111¼	102⅞	Exch. 10½pc 2005	104⅛	+½	10.08	9.97
125⅛	115⅝	Treas. 12½pc 2003-05	117⅛xd	+⅝	10.65	10.15
90⅞	82⅞	Treas. 8pc 2002-06‡‡	84⅞	+½	9.48	9.92
105⅝	97⅛	Conversion 9¾pc 2006	98½xd	+½	9.89	9.92
118⅝	109⅞	Treas 11¾pc 2003-07	111⅛	+½	10.56	10.16
96⅞	87⅝	Treas 8½pc 2007 ‡‡	89⅛	+½	9.53	9.77
134⅛	123⅝	Treas. 13½pc '04-08	125⅝	+½	10.76	10.10
101⅛	92⅜	Treas. 9pc 2008 ‡‡	93⅞	+½	9.58	9.70
92⅛	84⅛	Treas 8pc 2009	85½	+½	9.36	9.65
102⅛	93¼	Conv 9pc Ln 2011 ‡‡	94¼	+½	9.54	9.62
68⅞	62⅜	Treas. 5½pc 2008-12‡‡	63⅛	+⅛	8.66	9.41
89⅞	81⅝	Treas. 7¾pc 2012-15‡‡	82⅝	+⅛	9.38	9.58
132⅛	120⅛	Exch. 12pc '13-'17	121⅞xd	+⅛	9.84	9.64

Undated

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
45⅝	40¾	Consols 4pc	41⅛	+⅛	9.82	–
40⅜	36½	War Loan 3½pc‡‡	36⅞xd	+⅛	9.61	–
70½	60⅞	Conv 3½pc '61 Aft.	62¼	+⅛	5.63	–
41⅛	31½	Treas. 3pc '66 Aft.	32⅝	+⅛	9.20	–
30¼	25⅞	Consols 2½pc	25¾	+⅛	9.71	–
29½	25¼	Treas. 2½pc	25⅛	+⅛	9.78	–

Index-Linked

1989 High	Low	Stock (b)	Price £	+ or −	(1)	(2)
112¾	103⅞	Tr. 2pc '92‡‡(97.8)	111⅛	+⅛	2.76	3.85
105⅛	94½	Do. 2 '94 (102.9)	103⅞xd	...	2.92	3.49
155⅛	139½	Do. 2pc '96(67.9)	152⅛	...	3.06	3.44
130½	118⅞	Do 2½pc '01(78.3)	129	+⅛	3.40	3.65
127½	115⅝	Do. 2½pc '03(78.8)	126xd	+⅛	3.48	3.70
131⅛	117½	Do. 2pc '06(69.5)	129¼	+⅛	3.51	3.69
123⅛	110¼	Do. 2½pc '09(78.8)	120½xd	+⅛	3.51	3.67
128	114½	Do. 2½pc '11(74.6)	125¼	+⅛	3.51	3.66
106⅜	95¼	Do. 2½pc '13(89.2)	104⅛	+⅛	3.49	3.63
115⅜	101¼	Do. 2½pc '16(81.6)	113¼	+⅛	3.44	3.58
112½	100⅞	Do. 2½pc '20(83.0)	110⅞	+⅛	3.40	3.52
95⅛	84½	Do. 2½pc '24‡‡(97.7)	93⅛	+⅛	3.36	3.47

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for February 1989: 111.8 and for September 1989: 116.6.

INT. BANK AND O'SEAS

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
108½	99½	African Dev Bk 11¼ Ln 2010	100⅞	+⅛	11.03	11.00
104⅞	96⅛	Asian Dev Bk 10¼pcLn2009	97⅛	+⅛	10.55	11.08
130⅛	118½	Australia 13½pc 2010	120⅛xd	+⅛	11.23	11.00
113½	102½	Do. 11¾pcLn2015	103½	+⅛	10.96	10.93
110½	99½	Euro Inv Bk 11pc Ln 2002	101⅛	+⅛	10.86	10.80
104½	95½	Do. 10¾pc2004	96½	+⅛	10.70	10.79
119⅛	107½	Int-Am Dev Bk 12½pc 2003	110⅛	+⅛	11.33	10.98
99¾	90⅛	Do. 9¾pcLn 2015	92⅛	+⅛	10.59	10.65
97½	91½	Mlysia 10¾pcLn 2009	92xd	.....	11.56	11.66
120	114	Utd. Mexican States 16½pc 2008	114	.....	14.47	14.20

CORPORATION LOANS

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
102	99½	Birmingham 13½pc 1989	99½xd	.....	13.57	11.20
111½	102½	Do. 11½pc 2012	102½xd	.....	11.22	11.20
91	85½	GLC 6¾pc 1990-92	87½xd	.....	7.80	13.70
124½	116	Leeds 13½pc 2006	117½	.....	11.49	11.06
33	30	Liverpool 3½pc Irred	30xd	.....	11.67	–
95½	92	LCC 6¾pc '88-90	95½	.....	7.07	11.60
30	28	Do. 3pc '20 Aft.	28xd	.....	10.71	–
107½	101½	Manchester 11½pc 2007	102½xd	.....	11.22	11.20

COMMONWEALTH & AFRICAN LOANS

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
89½	86½	NZ 7¼pc 1988-92	88	+¼	8.24	12.10
206	206	S Rhod 2½pc Non-Asstd	206	.....	–	–
84½	84½	Do. 4½pc 87-92 Asstd	84½	.....	5.33	9.33

LOANS

Building Societies

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
100	98½	W'wide Anglia 12⅛pc 4.12.89	99½	+⅛	12.34	15.21
100⅛	99⅛	Do 12⅛pc 2.1.90	99½	...	12.86	15.17
100½	98⅞	Do. 12⅛pc 29.1.90	99¼	...	12.66	15.22
100	98¼	Do 12⅛pc 26.2.90	99⅛	...	12.80	15.24
100	98½	Do 12⅞pc 19.3.90	99⅛	+⅛	12.98	15.22
100⅛	98½	Do. 13⅛pc 23.4.90	99⅛xd	+⅛	13.48	15.21
100	98½	Do. 13pc 14.5.90	99	+⅛	13.13	15.21
100	98⅝	Do 13⅝pc 4/6/90	99½	+⅛	13.78	15.16
100⅛	99⅛	Do 14⅛pc 2.7.90	99½	+⅛	14.39	15.03
100¼	98½	Do. 13⅝pc 23.7.90	99	.....	13.76	14.98
100	98½	Do 13⅛pc 13.8.90	98⅞	...	13.44	14.87
107	98½	Do. 3⅞pcIL Ln 2021	107xd	.....	4.15	4.20

Public Board and Ind.

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
47	43	Met. Wtr. 3pc 'B'	46xd	.....	6.53	10.62

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
45	40	Greek 7pc Ass.	40	.....	3.50	†8.75
45	40	Do. 6pc 28 Stb. Ass.	40	.....	3	†7.50
45	40	Do 4pc Mixed Ass.	40	.....	2	†5.00
80	65	Hung '24 Ass.	80	.....	2.75	13.57
139½	127½	Hydro Quebec 15pc 2011	128⅞	+⅛	15.00	11.38
128½	118½	Iceland 14½pc Ln 2016	120½	+⅛	14.50	11.89
97¼	90½	Ireland 9¾pc '91-96	91	+⅛	9.75	11.70

AMERICANS

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
43⅞	26¼	Abbott Laboratories	40½	+¼	$1.40	–	2.2
579p	361p	♦Allegheny & W Lc	467p		30c	–	4.1
18⅞	12⅛	Amax $1	14⅛	+⅛	80c	–	3.5
11⅞	6	Ambase Corp $1	7½	−⅛	20c	–	1.6
15	695p	Amdahl 5c	695p	.....	h10c	–	0.9
37⅞	25½	Amer Cyanamid $5	31⅛	.....	$1.35	–	2.7
25⅛	14⅛	Amer. Express 60c	21¼		84c	–	2.4
28¼	15¼	American T. & T. $1	27⅛	+¼	$1.23	–	2.8
41⅝	26⅛	Ameritech $1	38⅝	+⅛	h$2.92	–	4.8
659p	524p	♦Asiamerica Equity	565p	.....		–	–
22⅛	9⅝	BankAmerica $1⅝	17¼	−⅛	60c	–	2.2
37¼	19¼	Bankers N Y $1	29⅛	+⅛	$2.12	–	4.6
66⅞	38½	Bell Atlantic $1	64	.....	$4.40	–	4.3
35¼	19⅞	BellSouth Corp.	32⅝	−⅛	$2.52	–	4.9
15⅞	9⅞	♦Bethlehem Steel $8	9⅞	...	40c	–	2.6
13	868p	♦Bio-Rad Labs. A	10½	.....		–	–
20¼	15¼	Bowater Inc	16⅝	−⅛	$1.12	–	4.3
12⅞	8⅛	Brunswick 75c	8⅝	+⅛	44c	–	3.2
42⅝	29⅞	CPC Intnl 25c	42½	+1¼	$1.60	–	2.7
863p	323p	California Engy	685p	−34		–	–
36½	17¼	Campbell Soup 15c	28⅞	−⅛	92c	–	2.1
28⅞	15⅞	Chase Manhattan $12½	22⅝	+⅛	$2.36	–	6.5
26¼	17	Chem. Banking Corpn.	19⅝	−⅛	$2.72	–	8.8
17½	12⅛	Chrysler $6¼	12⅛	+⅛	$1.20	–	6.0
22⅛	14⅛	Citicorp $1	18⅛	−⅛	$1.63	–	5.6
41⅝	25¼	Colgate-Palmolive $1	37½	−⅛	$1.48	–	2.5
17¼	10¼	Cont'l Bank Corp $4	14½	−⅛	80c	–	3.6
410p	218p	♦Corporate Data Scnce.	344p	−10		–	–
27½	21⅛	Dana Corp $1	21⅛	−⅛	$1.60	–	4.8
12	845p	Data General	845p	...		–	–
38¼	28⅞	Dun & Bradstreet $1	36¼	−⅛	$2.00	–	4.2
43¼	30½	Eaton Corpn. 50c	33⅝	.....	h$2.00	–	3.8
11⅝	8⅛	Echlin Inc	8⅛	+⅛	70c	–	5.2
21⅝	16⅞	FPL Group 1c	21⅛	+⅛	$2.26	–	6.8
23⅛	13¼	Fluor Corp 62½pc	18¼	−⅛	16c	–	0.6
35¼	27⅛	Ford Motor $1	28⅛	+⅛	$3.00	–	6.7
37¼	24¼	Gen. Elect. 63c	33⅛	+⅛	$1.64	–	3.1
579p	417p	♦General Host Corp $1	417p	−12	30c	–	4.6
39¼	18¼	Gillette $1	27⅛	+⅛	96c	–	2.2
987p	512p	Gt American Bank Bk $1	512p	−21	20c	–	2.5
23⅞	16⅛	Greyhound $1½	19⅝	+¼	$1.32	–	4.3

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

Allied Trust Bank Ltd
97-101 Cannon St, London EC4N 5AD 01-429 6802

Bank of Ireland High Interest Cheque Acc
36 Queen St EC4R 1BN 01-625 7000

LONDON SHARE SERVICE

AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
5⅜	847p	Hasbro Inc 50c	14½	–⅛	16c	–	0.7
57½	32¼	Honeywell $1½	50½	–1⅛	$2.75	–	3.4
22⅝	15¼	Houston Inds.	22⅛	+⅛	$2.96	–	8.4
76	60⅞	IBM Corpn $1¼	61⅛	+½	$4.84	–	5.0
60p	45p	Image Storage/R.Sys.1c	50p	–2	–	–	–
32⅛	18⅝	Ingersoll-Rand $2	26	+⅛	$1.20	–	2.3
33¼	22½	Lockheed Crpn. $1	27¼	+¼	$1.80	–	4.2
22⅝	15	Lone Star Inds $1	15	–⅛	$1.90	–	7.5
27⅞	17½	Louisiana Land 15c	24⅛		$1.00	–	2.6
20½	11½	Lowe's 50c	18⅛	–½	48c	–	1.7
28	15	Manuf. Hanover $1	22½	–⅛	$3.28	–	9.2
22⅝	13	Merrill Lynch $1	17⅛	+⅛	$1.00	–	3.7
2477p	1910p	Molex Inc	2190p	–71	3.2c	–	–
30⅛	18⅛	Morgan (JP) $2½	26⅛	+⅛	$1.66	–	4.0
28	24⅛	Morris (Philip)	25⅛	–⅛	$1.13	–	2.3
54½	36⅛	NYNEX $1	48⅞	+⅛	$4.36	–	5.6
44p	20p	N'wide Legal Serv.	23p	–3	–	–	–
34⅞	18¼	PHH Corp.	22⅝	–⅛	$1.16	–	3.2
259p	179p	Pacific Agr	190p		–	–	–
27¼	19	Pacificorp $3¼	26⅝		$2.76	–	6.5
30¼	16⅞	Pacific Telesis 10c	26⅝	–⅛	$1.89	–	[illegible]
22⅞	15¼	Pall Corp 25c	19⅛	–⅛	48c	–	1.5
55⅛	39	Pennzoil 83 1/3c	49⅛	–⅛	$3.00	–	3.3
42¼	28⅛	Quaker Oats $5	38	+⅛	$1.40	–	2.5
32⅞	23½	Rep NY Corpn $5	29	–⅛	$1.28	–	2.6
16⅛	11	Rockwell Intl. $1	15¼	+⅛	78c	–	[illegible]
29½	22	Sears, Roebuck 75c	23	+⅛	$2.00	–	5.3
37½	21⅝	Southwestern Bell $1	33¼	–⅛	$2.60	–	4.9
27⅞	17	Sun Co. Inc. $1	23⅛	–⅛	$1.80	–	4.8
31¼	22	TRW Inc. 62½c	29½	–⅛	$1.72	–	3.7
34⅞	14⅛	TW Services $5	28⅛		–	–	–
40	26⅞	Tenneco $5	36¼	+⅛	$3.04	–	5.3
35	28	Texaco $6.25	32⅝	–⅛	$3.00	–	5.8
28	18⅞	Texas Insur. $1	18	–⅛	72c	–	2.4
71	58⅝	Time Inc. $1	80⅝	–1	$1.00	–	0.8
19⅝	13	TRINOVA Corp	13	–⅛	50.8c	–	3.5
25⅛	16	USX $1	21⅛	+⅛	$1.40	–	4.1
321p	120p	Unilab	288p		–	–	–
36⅝	22¼	Utd. Technologies	33⅛	+⅛	$1.60	–	3.1
158p	121p	Utilitech Inc	121p		–	–	–
48¼	31½	US West	43⅝	+⅛	$3.76	–	5.5
34⅛	22⅝	Waste Management $1	38⅛	–⅛	60c	–	1.0
21½	13½	Whirlpool $1	18⅛	+¼	$1.10	–	3.6
24⅛	16	Whitman Corp	19	+1	$1.02	–	3.5
36⅝	28⅛	Woolworth $3½	37	+⅛	$1.88	–	3.2

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

LEISURE

1989 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
170	126	Airtours 10p	153	......	†6.25	3.2	5.4	6.9
315	195	Anglia TV	238	......	†7.75	3.3	4.5	9.3
*168	109	Avesco 1p	118	......	g1.13	8.9	1.3	10.3
34	9	BCE Hldgs 5p	14½	......	0.4	–	3.7	–
395	275	Barr & W.A.T. 'A'	285	......	†15.0	1.7	7.0	11.5
22	10	Bond Media	12	+1	02c	–	8.0	–
540	225	Boosey & Hawkes	415xd	+5	†10.0	2.5	3.2	16.4
60	35	Border T.V.	52	–1	2.0	3.4	5.1	7.6
423	317	Brent Walker 10p	346	+4	†11.0	3.6	4.2	7.0
117	79	Do 6pc Cv.Cm.Rd.Pf	95xd	+1	6.0	–	8.4	–
*103	80	Buckingham Int'l. 10p	91	......	–	–	–	–
344	163	Campari Int. 20p	171	+1	8.5	3.9	6.6	4.4
1135	504	Capital Radio 10p	1009	......	†10.0	3.6	1.3	27.7
958	662	Carlton Comms.	798	+6	†7.5	5.2	1.3	21.4
125	95	Do. 6.5p Prf	105	+1	6.5	–	8.3	–
465	268	Castle Comms. 5p	408xd	+5	8.5	♦	2.8	♦
823	579	Central ITV	673	+1	†25.5	2.5	5.1	10.3
248	123	Chrysalis	130	+5	±3.45	0.1	3.5	–
138½	50½	Cityvision 5p	125	+1	†h0.5	10.1	0.5	24.7
38	13	Classic Th'tres h0.20	13	......	–	–	–	–
392	256	Compass Group 5p	345	+1	†17.2	2.7	2.8	17.8
106	69½	European Leisure	84	......	608%	♦	2.4	♦
110	56	Ex Lands 10p	63	–1	0.5	–	1.1	–
*117	85	Expedier Lets. 20p	96	+1	–	–	–	32.4
675	437	Fairline Boats 10p	538	+2	†13.5	5.6	–	7.1
248	149	First Leisure	212	+1	†2.93	3.3	1.8	21.4
755	615	GWR Group 20p	625	......	†3.0	11.3	0.6	16.3
73	45	Grampian TVA 10p	68	......	3.0	2.8	5.9	7.8
91	20	Greenwich Comm.	25	......	–	–	–	–
136	85	HTV Ord.	113	+1	5.0	♦	5.9	♦
137	68	Hi-Tec Sports	81	......	4.5	2.6	7.4	6.8
27½	3	Int'l Media Comm. 5p	9	......	–	–	–	–
259	160	Invicta Sound 10p	189	+3	†2.7	2.8	1.9	25.0
68	41½	Kunick 10p	54	+½	†1.4	2.4	3.5	15.2
138	97	Do 7p Rd. Pf.	108	......	7.0	–	8.6	–
237	157	LWT 5p	208	......	†5.7	3.4	3.8	10.0
111	39	Leisure Inv 10p	42½	+½	†±1.75	1.4	‡	03.0
538	343	Marina Devs. 50p	425	+3	7.5	1.9	2.4	28.7
200	150	Mecca Leisure 10p	168	+1	†n4.56	1.8	3.8	19.6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES – Contd

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES – Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution, this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ *Tax-free to non-residents on application*
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- $ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend; cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend *and yield based on merger terms. z Dividend and yield include a* special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ... γ	87	......
Craig & Rose £1. γ	830	......
Finlay Pkg. 5p.... γ	68	......
Holt (Jos) 25p ...γ	1343	......

IRISH

Cap. 8½% Ln. 1991...	£96¾	......
9pc Cap Ln. 1996 .	£97	+½
Fin. 13% 97/02...	£116	+½
Arnotts	400	......
Carrol (P.J.)....... γ	145	......
Hall (R. & H.)	165	+5
Heiton Hldgs. ......γ	89	+1
IRG.	227	......
United Drug.	135	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	42
Amstrad	6½
Astec (BSR)	5¼
BAT	67
BOC Grp	44
BTR	37
Barclays	40
Blue Circle	28
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	120
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	98
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	31
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk	23
P & O Dfd	51
Polly Peck	38
Racal Elect	20
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
Smithkline Bchm A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property

Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res.	12
Ultramar	28½

Mines

Lonrho	23
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

High yield currencies in favour

STERLING had the benefit yesterday of a return to favour of high yielding currencies. Market attention has turned towards interest rate differentials after recent indications that the US Federal Reserve and the West German Bundesbank may be in the process of easing credit policies.

Dealers were surprised when the Fed added liquidity to the New York banking system on Tuesday - this was followed by the announcement of a cut in a small US bank's prime rate yesterday - and by the low rate that the Bundesbank supplied funds to banks in Frankfurt this week. Rumours that the Bank of Japan is considering a rise in its discount rate added to the mood of nervousness.

The dollar showed small mixed changes while the D-Mark finished above the day's lows on profit-taking, but was generally weaker. This trend was coupled with gains for sterling and other high yielding currencies, such as the Australian dollar.

The Australian currency stabilised at 78.50 US cents in London after closing at that level in Sydney, compared with 78.275 cents in Sydney on Tuesday. Speculation that Australian interest rates will remain high for several months supported the local currency, in spite of intervention to buy the US dollar by the Australian Reserve Bank.

Weaker members of the European Monetary System were also helped by a softening of the D-Mark, reducing the pressure for an early realignment of the EMS. The weakest placed Danish krone is no longer threatening to fall outside its cross rate limit against the D-Mark.

Mr Erik Hoffmeyer, Governor of the Danish Central Bank, said lower inflation means there is room for a fall in long term interest rates. He guarded against an early cut in short term rates however, until there are signs that funds are flowing back into the krone and foreign exchange reserves have been rebuilt. The central bank spent DKr13bn defending the krone last month.

The dollar kept within a narrow range. Recent indications of a slow-down in the US economy, and a possible easing of the Fed's monetary stance, indicate a longer term bearish trend for the currency. Dealers are keeping a wary eye on a nervous Wall Street, but in the short term sale of US Government debt is likely to provide support for the dollar. The delayed $56bn programme of Treasury auctions will now take place, following Tuesday's vote by Congress to raise the US debt ceiling.

At the London close yesterday the dollar had improved to DM1.8455 from DM1.8445, but had eased to Y143.15 from Y143.40; to SFr1.6170 from SFr1.6175; and to FFr6.2525 from FFr6.2530. The dollar's index fell to 69.7 from 69.8.

Interest rate considerations kept the pound firm. Sterling rose 55 points to $1.5865. It also advanced to DM2.9275 from DM2.9150; to Y227.00 from Y226.75; to SFr2.5650 from SFr2.5575; and to FFr9.9200 from FFr9.8850. The pound's index rose 0.2 to 88.9.

Average values against the dollar for October were: sterling 1.5872; D-Mark 1.8668; Yen 142.21; Swiss franc1.6315; French franc 6.3362.

£ IN NEW YORK

Nov.8	Latest	Previous Close
£ Spot	1.5765-1.5775	1.5858-1.5868
1 month	0.84-0.83pm	0.87-0.85pm
3 months	2.39-2.36pm	2.48-2.45pm
12 months	8.38-8.28pm	8.50-8.35pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov 8	Previous
8.30 am	88.9	88.9
9.00 am	88.8	88.9
10.00 am	88.8	88.9
11.00 am	88.8	88.8
Noon	88.9	88.8
1.00 pm	88.9	88.8
2.00 pm	88.9	88.7
3.00 pm	88.9	88.6
4.00 pm	88.9	88.7

CURRENCY RATES

Nov 8	Bank rate %	Special° Drawing Rights	European † Currency Unit
Sterling #	-	1.24109	1.42200
U.S Dollar	7	1.27469	1.11568
Canadian $	12.46	1.49190	1.30479
Austrian Sch	6½	16.5671	14.4681
Belgian Franc	10¼	49.3432	43.0903
Danish Krone	10½	9.13443	7.97320
Deutsche Mark	6.00	2.35257	2.05530
Neth.Guilder	7.00	2.65645	2.31983
French Franc	10¼	7.98020	6.96574
Italian Lira	13½	1720.70	1501.42
Japanese Yen	3¾	183.173	159.542
Norway Krone	8	9.81958	7.69818
Spanish Peseta	-	148.473	129.642
Swedish Krona	9½	8.18415	7.14871
Swiss Franc	6.00	2.06500	1.80182
Greek Drach.	20½	210.340	184.054
Irish Punt	-	0.88461	0.773702

Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
° All SDR rates are for Nov.7

CURRENCY MOVEMENTS

Nov 8	Bank of England Index	Morgan°° Guaranty Changes %
Sterling	88.9	-22.3
U.S Dollar	69.7	-8.5
Canadian Dollar	105.2	+1.8
Austrian Schilling	107.9	+10.7
Belgian Franc	107.3	-5.0
Danish Krone	105.6	+0.5
Deutsche Mark	115.1	+22.3
Swiss Franc	107.4	+16.0
Guilder	111.9	+14.5
French Franc	101.1	-14.2
Lira	99.5	-18.9
Yen	135.9	+65.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) °°Rates are for Nov.7.

OTHER CURRENCIES

Nov 8	£	$
Argentina	1030.55-1039.15	650.00-655.00
Australia	2.0175-2.0200	1.2725-1.2735
Brazil	8.7870-8.8165	5.5420-5.5570
Finland	6.7545-6.7670	4.2600-4.2620
Greece	259.55-264.05	163.55-166.15
Hong Kong	12.3835-12.3960	7.8105-7.8125
Iran	113.75*	71.70*
Korea(Sth)	1056.45-1073.45	669.50-674.50
Kuwait	0.47440-0.47620	0.29900-0.30000
Luxembourg	61.35-61.45	38.70-38.80
Malaysia	4.2730-4.2835	2.6975-2.6995
Mexico	4180.85-4182.95	2635.50-2636.50
N. Zealand	2.6905-2.6965	1.6970-1.7000
Saudi Ar.	5.9495-5.9550	3.7500-3.7510
Singapore	3.1045-3.1100	1.9570-1.9590
S. Af (Cm)	4.1690-4.1795	2.6315-2.6345
S. Af (Fn)	6.1130-6.2335	3.8535-3.9295
Taiwan	40.90-41.00	25.80-25.85
U.A.E.	5.8255-5.8290	3.6720-3.6730

*Selling rate

EURO-CURRENCY INTEREST RATES

Nov 8	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14¾-14¼	15-14⅞	15$\frac{1}{16}$-14$\frac{15}{16}$	15⅛-15	14$\frac{15}{16}$-14$\frac{13}{16}$	14½-14⅜
US Dollar	8⅝-8½	8⅝-8½	8¾-8⅝	8⅝-8½	8⅜-8¼	8$\frac{5}{16}$-8$\frac{3}{16}$
Can. Dollar	11⅞-11⅝	12⅛-11⅞	12-11¾	12⅛-11$\frac{13}{16}$	12-11¾	11¾-11½
D Guilder	8¼-8⅛	8¼-8⅛	8⅜-8¼	8$\frac{7}{16}$-8$\frac{5}{16}$	8⅝-8½	8$\frac{9}{16}$-8$\frac{7}{16}$
Sw. Franc	6¾-6½	7-6⅞	7⅝-7½	7⅞-7¾	7$\frac{15}{16}$-7$\frac{13}{16}$	7⅞-7¾
Deutschmark	7$\frac{13}{16}$-7$\frac{11}{16}$	7¾-7⅝	7⅞-7¾	8$\frac{1}{16}$-8$\frac{1}{16}$	8$\frac{3}{16}$-8$\frac{1}{16}$	8¼-8⅛
Fr. Franc	9$\frac{15}{16}$-9$\frac{11}{16}$	9$\frac{13}{16}$-9$\frac{11}{16}$	10⅛-10	10⅜-10¼	10$\frac{7}{16}$-10$\frac{5}{16}$	10½-10⅜
Italian Lira	12-10	12-11	12½-12	12¾-12¼	12¾-12⅝	12⅞-12½
B Fr (Fin)	9¾-9⅝	9¾-9⅝	9⅞-9¾	9$\frac{15}{16}$-9$\frac{13}{16}$	9$\frac{15}{16}$-9$\frac{13}{16}$	9¾-9⅝
B. Fr (Con)	9⅞-9½	9⅞-9½	10-9⅝	10⅛-9¾	10-9⅝	9⅞-9½
Yen	5$\frac{13}{16}$-5$\frac{11}{16}$	6-5⅞	6⅜-6¼	6⅝-6½	6¾-6⅝	6¾-6⅝
D Krone	12$\frac{1}{16}$-11$\frac{15}{16}$	12¼-12⅛	12⅞-12¾	12¼-12⅛	11$\frac{15}{16}$-11$\frac{7}{16}$	11½-11⅜
Asian $Sing	8$\frac{11}{16}$-8$\frac{9}{16}$	8$\frac{11}{16}$-8$\frac{9}{16}$	8$\frac{11}{16}$-8$\frac{9}{16}$	8⅝-8½	8$\frac{7}{16}$-8$\frac{5}{16}$	8$\frac{7}{16}$-8$\frac{5}{16}$

Long term Eurodollars: two years 8⅝-8½ per cent; three years 8⅝-8½ per cent; four years 8$\frac{11}{16}$-8$\frac{9}{16}$ per cent; five years 8¾-8⅝ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

Nov.8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5840-1.5895	1.5860-1.5870	0.85-0.83cpm	6.35	2.53-2.50pm	6.34
Canada	1.8525-1.8580	1.8545-1.8555	0.46-0.38cpm	2.72	1.37-1.19pm	2.76
Netherlands	3.29¼-3.31	3.30-3.31	1⅞-1¾cpm	6.58	5⅜-5¼pm	6.43
Belgium	61.10-61.40	61.35-61.45	27-25cpm	5.08	81-77pm	5.15
Denmark	11.31½-11.35½	11.33-11.34	2⅝-2¼orepm	2.58	8-7⅞pm	2.80
Ireland	1.0970-1.1040	1.1000-1.1010	0.35-0.30pm	3.54	1.30-1.20pm	4.54
W. Germany	2.91¾-2.93	2.92½-2.93	1¾-1½pfpm	6.92	4¾-4½pm	6.40
Portugal	249.45-250.55	249.55-250.55	30-12cpm	1.01	25-67dis	-0.74
Spain	184.00-184.75	184.25-184.55	8-1cpm	0.29	14-1pm	0.16
Italy	2132½-2142¾	2141¼-2142¼	5-4lirepm	2.52	13-11pm	2.24
Norway	10.93-10.96¼	10.94½-10.95½	3¼-2⅞orepm	3.29	8⅝-8¼pm	3.06
France	9.88¾-9.92¾	9.91½-9.92½	4-3⅞cpm	4.76	11½-11¼pm	4.59
Sweden	10.15-10.17½	10.16½-10.17½	2⅝-2⅛orepm	2.95	7⅞-7½pm	3.00
Japan	226½-227½	226½-227½	1¾-1⅝ypm	8.92	4¾-4⅝pm	8.37
Austria	20.51-20.60	21.56-20.60	11⅛-10⅝gropm	6.12	33¼-30¼pm	5.93
Switzerland	2.55¾-2.57	2.56-2.57	1⅝-1½cpm	7.31	4⅝-4⅜pm	7.02
ECU	1.4220-1.4240	1.4230-1.4240	0.52-0.48cpm	4.21	1.52-1.47pm	4.20

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 61.40-61.50 Six-month forward dollar 4.73-4.68cpm 12 months 8.46-8.36cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Nov 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5840-1.5895	1.5860-1.5870	0.85-0.83cpm	6.35	2.53-2.50pm	6.34
Ireland†	1.4395-1.4445	1.4405-1.4415	0.29-0.24cpm	2.21	1.17-1.07pm	3.11
Canada	1.1685-1.1795	1.1695-1.1705	0.34-0.37cdis	-3.64	1.02-1.11dis	-3.64
Netherlands	2.0725-2.0830	2.0820-2.0830	0.05-0.03cpm	0.23	0.08-0.04pm	0.12
Belgium	38.50-38.75	38.65-38.75	3.00-5.00cdis	-0.98	10.00-13.00dis	-1.19
Denmark	7.13-7.15¼	7.14¼-7.14¾	2.05-2.40oredis	-3.74	6.15-6.65dis	-3.58
W Germany	1.8375-1.8460	1.8450-1.8460	0.12-0.10pfpm	0.72	0.17-0.14pm	0.34
Portugal	157.40-157.75	157.65-157.75	65-75cdis	-5.33	265-295dis	-7.10
Spain	115.90-116.30	116.25-116.35	58-68cdis	-6.50	180-190dis	-6.36
Italy	1342½-1350½	1350-1350½	4.20-4.70liredis	-3.97	13.70-14.70dis	-4.22
Norway	6.89-6.90½	6.90-6.90½	1.70-1.95oredis	-3.17	5.50-5.90dis	-3.31
France	6.22¾-6.25½	6.25-6.25½	0.80-0.87cdis	-1.60	2.80-2.95dis	-1.84
Sweden	6.39¾-6.41½	6.40¾-6.41¼	0.16-0.19oredis	-0.61	0.52-0.56dis	-0.34
Japan	142.55-143.20	143.10-143.20	0.30-0.28ypm	2.43	0.73-0.70pm	2.00
Austria	12.94¼-12.99	12.98½-12.99	0.20pm-0.20gdis	-	0.20pm-1.30dis	0.17
Switzerland	1.6115-1.6175	1.6165-1.6175	0.17-0.14cpm	1.15	0.33-0.28pm	0.76
ECU	1.1135-1.1175	1.1145-1.1155	0.20-0.18cpm	2.04	0.62-0.58pm	2.15

Commercial rates taken towards the end of London trading † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.70-38.80.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Nov.8	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0903	+1.49	+1.11	±1.5424
Danish Krone	7.85212	7.97320	+1.54	+1.16	±1.6419
German D-Mark	2.05853	2.05530	-0.16	+0.54	±1.1019
French Franc	6.90403	6.96574	+0.89	+0.51	±1.3719
Dutch Guilder	2.31943	2.31983	+0.02	-0.36	±1.5019
Irish Punt	0.768411	0.773702	+0.69	+0.31	±1.6689
Italian Lira	1483.58	1501.42	+1.20	+1.20	±4.0815
Spanish Peseta	133.804	129.642	-3.11	-3.11	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Nov.8	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.587	2.928	227.0	9.920	2.565	3.305	2142	1.855	61.40
$	0.630	1	1.845	143.0	6.251	1.616	2.083	1350	1.169	38.69
DM	0.342	0.542	1	77.53	3.388	0.876	1.129	731.6	0.634	20.97
YEN	4.405	6.991	12.90	1000.	43.70	11.30	14.56	9436	8.172	270.5
F Fr.	1.008	1.600	2.952	228.8	10.	2.586	3.332	2159	1.870	61.90
S Fr.	0.390	0.619	1.142	88.50	3.867	1	1.288	835.1	0.723	23.94
H Fl.	0.303	0.480	0.886	68.68	3.002	0.776	1	648.1	0.561	18.58
Lira	0.467	0.741	1.367	106.0	4.631	1.197	1.543	1000.	0.866	28.66
C $	0.539	0.856	1.578	122.4	5.348	1.383	1.782	1155	1	33.10
B Fr.	1.629	2.585	4.769	369.7	16.16	4.178	5.383	3489	3.021	100.

Yen per 1,000. French Fr. per 10. Lira per 1,000; Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100% [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100% [illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100% [illegible]

LIFFE £/$ OPTIONS £25,000 (cents per £1) [illegible]

LIFFE EURODOLLAR OPTIONS $1m points of 100% [illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100% [illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100% [illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100 [illegible]

DEUTSCHE MARK (IMM) DM125,000 $ per DM [illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100% [illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100% [illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr [illegible]

STANDARD & POORS 500 INDEX $500 times index [illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1) [illegible]

POUND-$ (FOREIGN EXCHANGE) [illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100% [illegible]

US TREASURY BONDS 8% $100,000 32nds of 100% [illegible]

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100% [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100% [illegible]

THREE MONTH STERLING £500,000 points of 100% [illegible]

THREE MONTH EURODOLLAR $1m points of 100% [illegible]

THREE MONTH EUROMARK DM 1m points of 100% [illegible]

THREE MONTH ECU ECU 1m points of 100% [illegible]

Estimated volume 697 (341)
Previous day's open int. 1220 (1154)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Dec	2225.0	2227.0	2202.0	2190.0
Mar	2265.0	2266.0	2262.5	2230.0
Jun	2305.0			2270.0

Estimated volume 4806 (3929)
Previous day's open int. 32024 (31558)

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 48,519

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Lower London rates

INTEREST RATES continued to ease on the London money market yesterday as sterling gained ground on the foreign exchanges. Lack of economic news kept trading quiet, but recent signs of a possible easing in US and West German monetary policy also contributed to the softer tone in London.

UK clearing bank base lending rate 15 per cent from October 5

Three-month sterling interbank declined to 15$\frac{1}{16}$-15 from 15⅛-15$\frac{1}{16}$ per cent. Short sterling futures on Liffe reacted to an improvement in market sentiment, finishing just below the day's peak. The December contract touched 85.27, before closing at 85.26, compared with 85.14 on Tuesday.

Dealers are waiting for guidance on UK monetary policy from today's publication of the Bank of England Quarterly Bulletin, and from the forthcoming Autumn Statement by the new UK Chancellor.

Day-to-day credit conditions were comfortable in London. The Bank of England initially forecast a small credit shortage of £100m. This was revised to £150m at noon, but back to £100m in the afternoon. The authorities did not operate in the bill market during the day, but provided late assistance of around £130m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £265m, with a rise in the note circulation absorbing £115m and bank balances below target £185m. These outweighed Exchequer transactions adding £480m to liquidity.

In Frankfurt call money was steady at 7.75 per cent. The Bundesbank provided liquidity yesterday, via a 28-day securities repurchase agreement tender, at a fixed 7.30 per cent. This was below the general level of market rates and was taken as an indication that short term rates are too high. At the same time the central bank drained DM4.6bn from the market by not fully replacing an expiring pact. The allocation at the tender was DM21.2bn, against an expiring agreement of DM25.8bn, but this was in line with expectations. Market liquidity is at a high level at present, and this was reflected in the fact that banks did not borrow any funds from the Bundesbank on Tuesday under their Lombard facility.

In Amsterdam the Dutch Central Bank left its interest rate on special advances at 7.90 per cent at a tender for a six-day agreement. The amount allocated will be announced today and is expected to be in the region of Fl 2.5-3.0bn. An earlier seven-day pact of Fl 3.8bn expires today.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.8) 3 months US dollars		6 months US Dollars	
bid 8½	offer 8⅝	bid 8¼	offer 8⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	10
Fed.funds	8½
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	7.49	Three year	7.84
Two month	8.31	Four year	7.81
Three month	7.96	Five year	7.81
Six month	7.92	Seven year	7.85
One year	7.79	10-year	7.89
Two year	7.78	30-year	7.89

Nov.8	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.70-7.80	7.80-7.95	8.20-8.35	8.20-8.35	8.15-8.30	8.00
Paris	9⅝-9⅞	10$\frac{1}{16}$-10$\frac{3}{16}$	10$\frac{1}{16}$-10$\frac{3}{16}$	10$\frac{1}{16}$-10$\frac{3}{16}$	10$\frac{1}{16}$-10$\frac{3}{16}$	9.50
Zurich	6¼-6⅝	7⅛-7½	-	7⅝-7⅞	-	-
Amsterdam	8.31-8.44	8.25-8.35	-	8.45-8.55	-	-
Tokyo	5$\frac{11}{16}$-5$\frac{13}{16}$	6$\frac{1}{16}$-6$\frac{11}{16}$	-	6$\frac{13}{16}$-6$\frac{13}{16}$	-	-
Milan	12¼-12⅝	12⅝-12⅞	-	12⅝-13⅛	-	-
Brussels	10.50	9$\frac{11}{16}$-9⅞	-	9⅝-9⅞	-	-
Dublin	9½-9⅝	10$\frac{15}{16}$-11$\frac{1}{16}$	11$\frac{1}{16}$-11$\frac{3}{16}$	11¼-11⅞	12$\frac{1}{16}$-12$\frac{3}{16}$	-

LONDON MONEY RATES

Nov 8	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15	14$\frac{15}{16}$	15$\frac{1}{16}$	15⅛	14$\frac{15}{16}$	14½
Interbank Bid	13	14$\frac{13}{16}$	14$\frac{15}{16}$	15	14$\frac{13}{16}$	14⅜
Sterling CDs	-	-	15	15$\frac{1}{16}$	14⅞	14½
Local Authority Deps	14$\frac{13}{16}$	15	14$\frac{13}{16}$	14$\frac{15}{16}$	14¾	14⅜
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14$\frac{13}{16}$	14⅞	14⅞	14⅞	-	-
Company Deposits	-	-	15$\frac{1}{16}$	15$\frac{1}{16}$	14⅞	14½
Finance House Deposits	-	-	15	15$\frac{1}{16}$	14⅞	14⅞
Treasury Bills (Buy)	-	-	14¾	14$\frac{11}{16}$	-	-
Bank Bills (Buy)	-	-	14$\frac{15}{16}$	14$\frac{13}{16}$	13⅞	-
Fine Trade Bills (Buy)	-	-	15$\frac{5}{16}$	15$\frac{3}{16}$	14½	-
Dollar CDs	-	-	8.65	8.50	8.30	8.27
SDR Linked Dep Offer	-	-	8$\frac{15}{16}$	9⅛	9¼	9
SDR Linked Dep. Bid	-	-	8$\frac{13}{16}$	8$\frac{15}{16}$	8⅞	8¾
ECU Linked Dep Offer	-	-	10$\frac{5}{16}$	10$\frac{11}{16}$	10⅝	10½
ECU Linked Dep. Bid	-	-	10$\frac{3}{16}$	10$\frac{3}{16}$	10½	10⅜

Treasury Bills (sell): one-month 14$\frac{11}{16}$ per cent; three months 14$\frac{13}{16}$ per cent. Bank Bills (sell): one-month 14$\frac{13}{16}$ per cent; three months 14½ per cent; Treasury Bills, Average tender rate of discount 14.5674 p.c. ECGD Fixed Rate Sterling Export Finance Make up day October 31, 1989. Agreed rates for period November 26 1989 to December 25, 1989, Scheme I: 15.66 p.c., Schemes II & III: 16.22 p.c. Reference rate for period Sept 30,1989 to October 31, 1989, Scheme IV&V, 15.084 p.c. Local Authority and Finance Houses seven days notice, others seven days' fixed. Finance Houses Base Rate 15 from November 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989. Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

	%		%		%
ABN Bank	15	Clydesdale Bank	15	NatWestminster	15
Adam & Company	15	Comm.Bk.N.East	15	Northern Bank Ltd	15
Allied Trust Bank	15	Co-operative Bank	*15	Norwich Gen. Trust	15
Allied Irish Bank	15	Coutts & Co	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Cyprus Popular Bk	15	Provincial Bank PLC	16
Associates Cap Corp	14	Dunbar Bank PLC	15	R. Raphael & Sons	15
Authority Bank	15	Duncan Lawrie	15	Roxburghe G'rantee	15½
● B & C Merchant Bank	15	Equatorial Bank plc	15	Royal Bk of Scotland	15
Bank of Baroda	15	Exeter Trust Ltd	15½	Royal Trust Bank	15
Banco Bilbao Vizcaya	15	Financial & Gen. Bank	15	● Smith & Williamson Secs.	15
Bank Hapoalim	15	First National Bank Plc.	16	Standard Chartered	15
Bank Credit & Comm	15	● Robert Fleming & Co.	15	TSB	15
Bank of Cyprus	15	Robert Fraser & Ptnrs.	15½	United Bk of Kuwait	15
Bank of Ireland	15	Girobank	15	United Mizrahi Bank	15
Bank of India	15	● Guinness Mahon	15	Unity Trust Bank Plc	15
Bank of Scotland	15	HFC Bank plc	15	Western Trust	15
Banque Belge Ltd	15	● Hambros Bank	15	Westpac Bank Corp.	15
Barclays Bank	15	Hampshire Trust Plc	15½	Whiteaway Laidlaw	15
Benchmark Bank PLC	15	Heritable & Gen Inv Bnk.	15	Yorkshire Bank	15
Brit Bk of Mid East	15	● Hill Samuel	§15		
● Brown Shipley	15	C. Hoare & Co.	15		
Business Mtge Bank PLC	15½	Hongkong & Shangh	15		
Cl. Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
		Midland Bank	15		
		Mount Banking	15		
		Nat Bk. of Kuwait	15		

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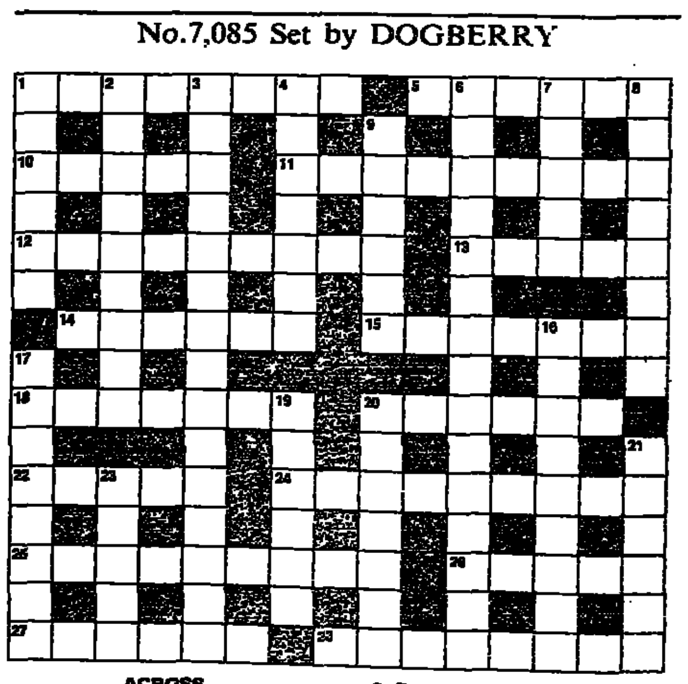
JOTTER PAD

CROSSWORD

No.7,085 Set by DOGBERRY



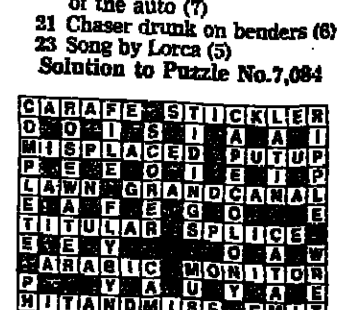
ACROSS

1 Emblem of a set of tools – cutting tools – overturned (8)
5 S-swim? That's illegible! (5)
10 Swim round in France with a thankless child (5)
11 Assemblage loth to writhe in terrible agony (9)
12 May a person not take bearings from an oriental? (9)
13 Pleasanter-sounding side of Islam? (5)
14 Upset vegetables? The compiler would be upset! (6)
15 Pudding she iced burst open (7)
18 Disapproving of a model pocketing profits (7)
20 Poet to take back harsh words (6)
22 Deputy revised unfinished column (5)
24 It promotes early growth in island and hill (9)
25 Constant in the middle, back in the middle of ring (9)
26 Apprehend song (5)
27 What's in the barrel is hot sauce (6)
28 Spirit of church to doze quietly on board (8)

DOWN

1 Tree turned out well (6)
2 Range Rover for girl in the country (9)
3 Ground rules for firm with many a worker (many workers) under canvas (3,12)
4 Said no to extremely bad behaviour (7)
6 To serenade about butchers is perhaps to burn one's boats (5,3,7)
7 Tree originally a sore point (5)
8 Install railway with mystic links? (3-5)
9 Wait for a model nurse (6)
16 Baseballer's brief break (5-4)
17 Support enabling sick to rise and dance about (8)
19 Penumbral dolt, about 49 (6)
20 Pastoral depression in most of the auto (7)
21 Chaser drunk on benders (6)
23 Song by Lorca (5)

Solution to Puzzle No.7,084



WORLD STOCK MARKETS

CANADA

TORONTO

Closing prices November 7

MONTREAL

Closing prices November 7

Total Sales 6,645,141 shares.

INDICES

NEW YORK

DOW JONES	Nov. 7	Nov. 6	Nov. 3	Nov. 2	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
ϕIndustrials	2597.13	2582.17	2629.51	2631.56	2791.41 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	92.89	92.83	93.05	93.12	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1188.30	1192.57	1211.77	1192.92	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	219.63	218.06	219.69	220.07	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

ϕDay's High 2608.81 (2621.72) Low 2563.11 (2574.59)

STANDARD AND POOR'S	Nov. 7	Nov. 6	Nov. 3	Nov. 2	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	334.81	332.61	337.62	338.48	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	381.39	378.85	384.77	385.96	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	31.99	31.79	32.35	32.41	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	185.74	184.77	187.28	187.64	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	368.51	368.68	371.79	371.48	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	449.40	448.02	452.97	453.14	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Nov 3	Oct 27	Oct 20	year ago (approx.)
Dow Industrial Div. Yield	3.93	3.97	3.83	3.62
	Nov 1	**Oct 25**	**Oct 18**	**year ago (approx.)**
S & P Industrial div. yield	2.97	2.95	2.95	3.19
S & P Indl. P/E ratio	14.25	14.31	14.28	13.03

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Chem Bkg Corp	3,023,400	31⅛	− ⅛
Philip Morris	2,954,600	40⅞	+ ⅛
Tosco	2,678,000	25⅛	+ 7⅛
Am Elect Power	2,054,700	30⅛	+ ⅛
Pinnacle W Cap	1,734,400	8	− ⅞
BankAmerica	1,713,100	27⅞	− ⅜
Chrysler	1,682,900	20	+ ⅛
Fannie Mae	1,647,600	37⅝	+ ⅝
Chevron	1,517,800	64⅝	---
IBM	1,499,100	97⅞	+ ⅞

TRADING ACTIVITY

† Volume (Millions)	Nov 7	Nov 6	Nov 3
New York	163.561	135.480	131.500
Amex	11.256	9.787	12.133
NASDAQ	130.555	111.076	110.468
Issues Traded	1,950	1,964	1,941
Rises	811	349	645
Falls	633	1185	777
Unchanged	506	430	519
New Highs	27	23	34
New Lows	94	87	60

CANADA

TORONTO	Nov 7	Nov 6	Nov 3	Nov 2	1989 HIGH	1989 LOW
Metals & Minerals	3401.82	3380.95	3430.76	3441.14	3919.2 (1/9)	3207.5 (3/1)
Composite	3923.25	3906.75	3929.10	3935.70	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	1997.7	1993.0	2005.16	2010.57	2069.68 (10/10)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov. 8	Nov. 7	Nov. 6	Nov. 3	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1658.4	1648.2	1656.9	1657.1	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	832.1	812.1	815.1	806.3	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	371.77	370.84	403.20	419.35	515.09 (11/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6275.90	6217.81	6332.79	6333.05	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	340.80	340.82	342.52	342.62	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	657.4	659.7	662.8	664.5	815.8 (18/4)	659.7 (7/11)
FRANCE						
CAC General (31/12/82)	501.7	500.6	511.0	513.8	561.6 (11/10)	417.9 (4/1)
Ind. Tendance (30/12/88)	114.5	113.3	115.7	116.5	128.1 (10/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	610.75	608.23	611.15	612.14	690.91 (10/10)	535.78 (27/2)
Commerzbank (1/12/53)	1792.9	1783.7	1807.9	1812.1	2056.8 (10/10)	1595.7 (27/2)
DAX (30/12/87)	1441.79	1428.07	1454.38	1449.90	1657.61 (8/9)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2731.07	2738.09	2756.12	2739.79	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1661.22	1660.29	1664.63	1667.72	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	646.36	648.98	655.32	652.50	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	35595.59	35270.46	35434.00	(c)	35689.98 (28/9)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2674.31	2663.39	2681.48	(c)	2703.58 (2/10)	2366.91 (6/1)
2nd Section (4/1/68)	3660.51	3648.93	3653.02	(c)	3804.11 (9/10)	2774.38 (27/3)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	249.0	244.8	246.5	247.6	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	191.3	188.2	189.4	190.3	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	623.10	620.14	628.12	628.35	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1356.73	1342.14	1348.16	1318.44	1356.73 (8/11)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1321.31	1320.84	1322.83	1330.79	1431.85 (12/10)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1925.0§	1887.0	1849.0	1836.0	1925.0 (8/11)	1291.0 (15/2)
JSE Industrial (28/9/78)	2564.0§	2557.0	2584.0	2589.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	872.88	877.76	881.46	887.18	1007.80 (3/4)	846.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	301.13	301.60	304.86	305.99	328.95 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	(u)	4134.9	4163.1	4174.8	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	734.1	723.2	729.0	732.1	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	10119.85	10025.29	10315.79	10560.24	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	704.24	702.05	704.58	701.52	724.93 (13/9)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	522.4	522.8	526.9	551.2 (3/8)	487.6 (13/6)

**Saturday Nov. 4: Taiwan Weighted Price: 10492.45. Korea Comp Ex. 888.46.

§ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday November 8 1989

	Stocks Traded	Closing Prices	Change on day
Tokyo Tatemono	49.7m	2,080	+140
Toda Const	25.7m	2,410	+120
IHI	24.3m	1,320	0
Mitsubishi Oil	23.7m	1,630	+60
Tokyu	17.6m	2,870	-100
Nippon Mining	17.2m	983	+5
Mitsubishi Metal	15.4m	1,190	-20
Osaka Cement	13.8m	980	+36
Sumitomo Metal	10.2m	685	-1
Mitsui Constr	10.2m	1,440	+110

2pm prices November 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		Data omitted because of technical difficulties								
38½	29½	AGnCp	1.50	4.2	9	912	36	35⅝	35⅝	- ⅛
8¼	7⅛	AmGvl	.84a	11.		177	8	7⅞	7⅞	+ ⅛
10⅛	8⅞	AGIP	1.08a	11.		89	10	9⅞	9⅞	- ⅛
10½	9¼	AGTT	n1.02	9.9		64	10⅜	10¼	10⅜	
24	17⅞	AHltPr	2.28	9.9	14	258	23¼	22⅞	23¼	+ ¼
28⅛	25	AHerit	1.20	4.3	11	8	28¼	28	28	
107¼	76⅛	AHome	3.90	3.7	15	2847	105¼	103½	105¼	+2⅛
65	45½	Amrtch	x2.92	4.8	14	3095	61½	60⅞	61½	+ ½
109	61¼	AIntGr	.48	.4	13	2869	107¼	105⅝	107¼	+1⅞
25⅛	6⅛	AMI	.72	11.	8	1889	6⅞	6½	6¾	+ ¼
8	6⅛	AMI wd				236	6¾	6⅝	6¾	+ ⅛
10⅛	9⅜	AOIF n	.08e	.8		67	9⅞	9¾	9⅞	+ ⅛
40⅞	26⅛	APresd	.60	2.2	23	117	27½	27⅛	27½	+ ⅛
18¼	11⅜	ARIEst	2	16.	7	62	12⅜	12⅛	12⅜	+ ⅛
9¾	7½	AmRlt	s1.52	19.	2	22	7⅞	7⅝	7⅞	+ ¼
18¾	9	ASB	.80	7.1	8	565	11¼	10⅞	11¼	+ ¼
19½	10⅞	ASB pf	1.81	15.		78	12½	11⅞	12	- ½
6½	2⅝	AShip				18	2¾	2⅝	2⅝	
72½	51½	AmStor	1	1.8	24	128	55¼	54⅞	54⅞	+ ⅜
45⅝	27¼	AT&T	1.20	2.7	22	11028	44⅜	43¾	44¼	+ ¼
21½	16¾	AmWtr	.74	4.1	11	39	18	17⅞	18	+ ⅛
15⅛	13⅛	AWat pr	1.25	8.8		z1010	14½	14¼	14¼	- ¼
15	6⅛	AmHgd	6g			21	6⅝	6½	6⅝	+ ⅛
39¼	29¼	Ameron	1.28	3.4	12	8	37⅞	37⅜	37⅜	- ⅛
20	12⅞	AmeDp	.10	.6	69	298	16⅛	15⅞	16⅛	- ¼
15⅞	12⅛	Ametek	.64	4.9	17	166	13⅝	13	13⅛	- ½
11	9¾	AmevSc	1.08a	10.		10	10⅝	10⅛	10⅝	+ ⅛
50½	34	Amoco	s1.90	3.9	15	2353	48⅜	47½	48¼	+ ½
48⅜	40¼	AMP	1.20	2.8	16	2147	42½	41⅝	42⅛	- ¼
15⅞	12½	Ampco	.30	2.3		144	13⅛	13⅛	13⅛	- ⅛
[illegible]										

Continued on Page 47

NYSE COMPOSITE PRICES

Continued from previous Page

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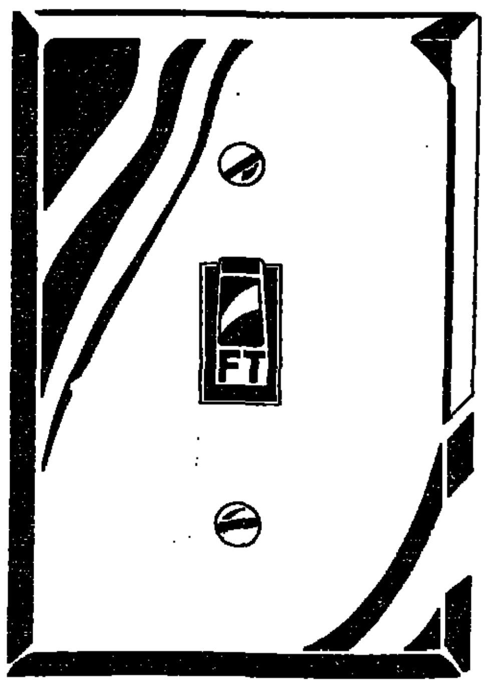
Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2pm prices November 8



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AMERICA

Dow surges on signs of monetary policy easing

Wall Street

APPARENT confirmation that the US Federal Reserve had eased monetary policy, together with a prime rate cut by the Southwest Bank of St Louis, boosted the equity market to substantial gains by midsession yesterday, *writes Janet Bush in New York*.

At 2 pm, the Dow Jones Industrial Average was 32.79 higher at 2,629.92 on moderately active volume of 115m shares. Other stock indices also registered healthy gains, with the Nasdaq composite up 4.65 at 454.05.

The Fed's move came as a surprise to financial markets. It was first hinted at when the Fed added liquidity to the money market on Tuesday, when Fed Funds were trading at 8 11/16 per cent. At that time, however, there was a view that the central bank was merely tolerating a lower rate because of uncertainty surrounding the quarterly refunding auctions.

These had to be postponed because Congress failed to pass legislation raising the debt ceiling until late on Tuesday night. The bond market now has to absorb $56bn of bills and bonds over the next four trading sessions.

The Fed appeared to confirm its easing move, which has taken the Fed Funds rate down to 8½ per cent from 8¾ per cent, when it did not operate in the market when Funds were trading at 8 11/16 per cent.

Recent economic releases have confirmed that the economy is still growing very slowly and, if anything, have pointed to less of an acceleration than people had thought. In other words, the evidence has pointed to a soft landing, but not recession.

This, in the view of many, was not the kind of situation that would persuade the Fed – particularly its regional bank governors, who are hawks on inflation – to ease. However, the Fed has been under pressure to ease from the Administration for some time, and may have decided that light upward pressure on prices gave a little scope to ease.

The Fed's move gave the stock market a much needed lift. Disappointing news on corporate profits, which was largely responsible for the fall of nearly 50 points on the Dow on Monday, had left the equity market gasping for lower interest rates.

The Southwest Bank of St Louis, which led the last round of prime rate cuts in July, yesterday announced it was lowering its prime rate to 10 per cent from 10.5 per cent. Other banks are widely expected to follow, once it is firmly established that 8¼ per cent is the new Fed Funds target.

This speculation helped money centre banks. Citicorp added $1 to $30⅞, JP Morgan rose 1⅜ to $43, Chase Manhattan was up $⅞ at $37 and Chemical Bank rose $⅞ to $32.

Federal National Mortgage Association gained $2 to $39½ and Federal Home Loan Mortgage climbed $3¾ to ⅝, also because of lower interest rates.

UAL surged $6¾ to $186¾ after the company's board cleared Mr Stephen Wolf to explore new proposals for a buy-out or a restructuring. There were also reports that the airline's pilots' union had attempted to contact outside investors about taking an equity stake.

On the over-the-counter market, Air Midwest fell $¾ to $4⅝ after Mesa Airlines withdrew its stock and cash acquisition offer and the two companies ended merger talks.

Canada

GAINS made in morning trading were trimmed in Toronto at midsession, leaving share prices slightly higher. Early rises had come on rumours that US commercial banks might reduce their prime rates.

Golds recovered some earlier losses, which had been fuelled by profit-taking.

The composite index firmed 12.9 to 3,936.1 on low volume of 16.5m shares. Advancing shares led declines by 255 to 231.

ASIA PACIFIC

Unexpected support for yen helps Nikkei to rally

Tokyo

AN UNEXPECTED rebound by the yen gave investors an opportunity to leap back into the market, boosting share prices and, to a lesser extent, volume, *writes Michiyo Nakamoto in Tokyo*.

In striking contrast to Tuesday's spiritless performance, equities extended their initial gains throughout the day. The Nikkei average closed 325.13 higher at 35,595.59, after moving between a high of 35,628.61 and a low of 35,319.35.

Widespread buying helped advances to outnumber declines by 574 to 343, with 192 issues unchanged. Activity was livelier, with turnover up to 853m shares from the 766m traded on Tuesday. The Topix index of all listed shares closed 10.92 points higher at 2,674.31, and the ISE/Nikkei 50 index in London gained 4.21 to 2,050.97.

Expectations of an easier monetary policy in the US set off a chain reaction of support for the yen, a recovery in bond prices and a rally in equities.

However, Mr Mitsuru Maekawa, of Jardine Fleming, said the market atmosphere "does not encourage settling down with a long-term perspective." Buying was scattered and did not go much beyond special situation stocks, he said.

The US demand that Japan improve its infrastructure and build more houses, voiced at the close of the US-Japan structural impediments talks, triggered fresh interest in construction and housing issues. Daikyo, Japan's largest condominium builder, rose Y300 to Y6,250.

Tokyo Tatemono, a real estate developer, rose Y140 to a record Y2,080 and topped the actives list with 49.7m shares. It was supported by talk of buying by a group of speculators, as well as by general investors looking for a replacement for Tokyu, the railway company that has led the market. Rumours also circulated that a big property company had acquired a substantial stake in Tokyo Tatemono.

Toda Construction was second in volume with 25.7m shares, closing up Y120 at Y2,080. Mitsui Construction added Y110 to Y1,440.

Expectations that the oil industry would see restructuring and rising prices fuelled buying in Mitsubishi Oil, which gained Y50 to Y1,630.

Osaka closed with a gain of 132.61 at 36,481.44 on the OSE average and volume improved to 81.1m shares from 59.8m on Tuesday. Tsudakoma, a textile machinery maker, reached a record high of Y2,030 before closing at Y2,000, up Y30, on enthusiasm for its sales of automatic looms to the Soviet Union. There are hopes of greater trade possibilities with Moscow before the planned Bush-Gorbachev meeting and the forthcoming visit to Japan of a high-ranking Soviet official.

Roundup

A MIXED performance in the Asia Pacific region was enlivened by golds in Australia, and continued optimism in Manila during the visit of Mrs Corazon Aquino, the Philippine President, to the US and Canada.

AUSTRALIA went for gold following another jump in the metal price in New York on Tuesday. The gold shares subindex rose 80.4, or 4.8 per cent, to 1,662.3, taking its gains over the past eight sessions to 16.3 per cent.

Turnover jumped to 144m shares valued at A$245m, from Wednesday's 50m and A$85m, and the All Ordinaries index rose 10.2 to 1,658.4, with virtually no help from the somnolent industrials market.

NEW ZEALAND drifted off in the afternoon, and the Barclays index ended only 0.91 points higher at 2,059.11 in slightly improved turnover of 8.2m shares and NZ$17.1m.

Lion Nathan fell 18 cents to NZ$3.90 on speculation that its acquisition of 50 per cent of Bond Corp's Australian brewing interests might be falling through. After the market closed, Lion said the deadline on the brewing agreement had been extended to November 13, and reported net profits below expectations at NZ$72.6m for 1988/89.

KUALA LUMPUR, soon to split off from the Singapore market, performed a little better yesterday as its composite index rose 4.79 to 476.04. Singapore's Straits Times Industrial index rose 0.47 to 1,321.31.

Meanwhile, Malaysia's Sime Darby and its subsidiary, Tractors Malaysia, said that the group's shares would not be listed on the Stock Exchange of Singapore from next year, in keeping with the Malaysian Government's decision to delist all Malaysian companies in Singapore.

HONG KONG went soft again on political rumours about China, and as Hang Seng Bank said in a new study that the colony's plans to invest HK$227bn over the next 16 years on infrastructure projects were likely to bring economic problems, as well as benefits. The Hang Seng index dipped 7.02 to 2,731.07, while turnover shrank again, from HK$788m to HK$678m.

MANILA saw the composite index rise another 14.59 to a record 1,356.73, most positions being taken before the First Philippine Fund's listing on the New York Stock Exchange.

TAIWAN rallied after a string of declines, the weighted index closing 94.56 higher at 10,119.85.

German rumour factory works overtime

Andrew Fisher puts his ear to the ground and hears a mixture of hints and hoaxes

WHAT is it to be today? Nippon Life taking a big stake in Deutsche Bank? Continental, the tyre company, up for grabs by Pirelli, Volkswagen or the Flick Brothers? Or Nixdorf Computer being bought by Siemens, Mannesmann, or possibly both?

You can take your pick of these and other rumours; one of the latest was that Solvay of Belgium planned to buy out the minority shares in Kali-Chemie.

These stories, dismissed with various degrees of vehemence by the companies themselves, have all done the rounds on West German stock markets recently and given the shares in question at least a temporary boost.

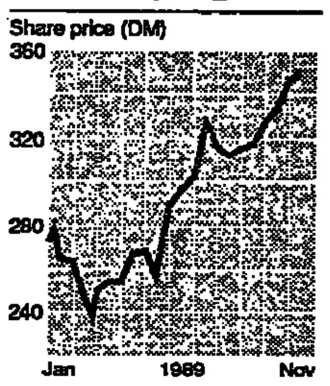
For the moment, they have displaced old chestnuts such as the story about BMW – in which the Quandt family owns the majority – being acquired by Japanese or US motor groups; or Porsche, also family-controlled, falling into the hands of an acquisitive car maker eager to pick up a luxury sports marque.

Rumours are easily laughed off by those in the know, although none of the above is so outrageous as to be inconceivable. But they seem to be more common in West Germany these days, perhaps because of the growing internationalisation of its stock markets which has allowed more aggressive foreign investors to play a bigger role.

Even if stories are disbelieved, dealers must anticipate their impact on prices. Sometimes, of course, rumours turn out to be true – but who can tell whether they stem from traders trying to enliven a dull day in London or Frankfurt, or have been planted by professional investors to make a quick killing?

There are deliberate attempts to ramp prices. Reuters and VWD, the international and West German news agencies, recently received invitations to a phony press conference, allegedly to announce a bid for Continental. The letters had no address or telephone number and the Cologne hotel named as the venue said that it had no such booking, so it was clearly a hoax.

Continental AG



As there have been some big takeovers in the tyre sector in the past few years, including Conti's purchase of General Tire of the US, speculation was not hard to whip up.

The Nippon Life/Deutsche Bank tale was fuelled last week by Platow Brief, one of the German newsletters which offers a mixture of rumours, speculation, comment and (occasionally) exclusive stories. It said that Nippon Life, a Japanese insurer, had built up a 9.9 per cent holding in the bank. Deutsche waved the rumour aside, although it made it clear that it had no objection to big investors picking up stakes of a few per cent when its shares are placed in Tokyo this month.

With fewer quoted companies in Germany than in other big markets, rumours may be easier to plant; the 10 biggest German stocks account for nearly half of the turnover. Also, there is no lively takeover scene, as the hostile bid is virtually unknown and many shares are owned by families or banks and institutions.

This virtual absence of predators and victims could, say some analysts, be a reason why speculation thrives instead. Interestingly, the latest (friendly) takeover – by International Paper, a US group, of the Zanders paper company – produced no advance hints.

How do companies react to speculative fervour? Nixdorf, which has run into conventional business problems over the past year, is used to being a target. It complains that employees and customers are unsettled by the reports, which it routinely denies.

Conti was taken aback by the hoax letter, but says it is not pursuing it legally – which would be difficult, as the perpetrators are not known.

"You can never say about a new rumour that this is absolutely false," says Mr Thomas Albrecht, banking analyst at UK stockbrokers Phillips and Drew. "Sometimes denials by the company can fuel speculation. Rumour-mongering will usually work."

The German *Gerüchteküche* (rumour kitchen) can therefore be expected to continue to serve up a range of heavily spiced stories, with the ingredients changing constantly, to titillate the market's palate.

EUROPE

Fed fosters a volte-face over rates

WALL Street's overpowering influence again held sway over Europe yesterday, this time cheering bourses with growing indications that the Federal Reserve had eased credit, *writes Our Markets Staff*.

Concomitant talk of widespread cuts in US prime rates later fuelled the upward correction, after two days of gloom on the Continent when traders had worried about falls in New York and the threat of higher interest rates.

The sudden about-turn demonstrated the markets' lack of confidence, said one analyst. "It just shows that people's long-term views don't extend to three days."

FRANKFURT saw some investors return to equities, which began to look more attractive in relation to one-year bonds after their fall on Tuesday. Volume, however, remained low at DM3.3bn.

Prices should continue to recover in the short term, according to one analyst, but the extent of the rally will depend on Wall Street and the bond market. The bourse was given a brief fillip by the signs of an easing in US rates.

The day's main feature was the construction sector, which was boosted by the Government's announcement on Tuesday of a DM8bn housing programme for the East German immigrants. Holzmann gained DM25 to DM1,000, Hochtief rose DM22 to DM870 and Bilfinger & Berger added DM18 to DM539.

Kaufhof, the retailer, rose DM10.50 to DM532 after an improvement in nine-month sales.

The FAZ index gained 2.52 to 610.75, and the DAX index added 13.72, or 0.96 per cent, to 1,441.79 after its 2.1 per cent decline on Tuesday.

AMSTERDAM leapt ahead in response to the events in the US, and underpinned by a strong rise in Philips. The CBS tendency index, which had shed 9 per cent since the October 16 rout, recovered 3.8, or 2.2 per cent, to 178.4. Volume was a moderate Fl 730m.

Philips was boosted Fl 2 to Fl 47.60 by enthusiasm for the planned flotation of its recording subsidiary, PolyGram, which is expected to enhance its assets. Philips will retain about 80 per cent of PolyGram, and the deal may raise as much as $700m.

Hoogovens, the steel group, was up Fl 2.60 at Fl 81.70; it said it had won a $84.5m loan from the European Community

ZURICH built on the previous day's late recovery, as interest rate fears faded. The Crédit Suisse index rose 10.6 points, or 1.8 per cent, to 596.4 on bargain-hunting.

Bearers of Brown Boveri, the engineering company, surged SFr395, or 8 per cent, to SFr5,325 and the registered shares gained SFr95 to SFr1,165. Asea Brown Boveri, which is jointly owned with Asea of Sweden, reported a 54 per cent rise in nine-month profits, at the higher end of expectations.

PARIS was enlivened by speculation and shares ended slightly higher, helped by the better tone on Wall Street. The OMF 50 index rose 4.71 to 490.15.

Metaleurop soared FFr27.10 to FFr256.60 on heavy trading of 657,000 shares, driven by speculation that Imetal would sell part of its stake, said an analyst. Imetal has exercised 815,000 warrants it held in Metaleurop, thus pushing its stake from 20 to 25 per cent, and has indicated it wants to keep it below 20 per cent. Imetal rose FFr18 to FFr301.

Perrier rose FFr43 to FFr1,876 after falling FFr27 on Tuesday on its plans to sell its soft drinks business. Yesterday it told Reuters news agency that its 1989 profits should rise by between 40 and 50 per cent.

MILAN initially lost ground, but recovered in late trading, which one analyst saw as "one of the first signs of the market bottoming out." The Comit index shed 2.62 to 648.98.

Demand concentrated on Nuovo Banco Ambrosiano (NBA), which had accounted for more than 11 per cent of total turnover on Tuesday. Interest was stimulated by the dispute over a 13 per cent stake which Crédit Agricole is seeking in the bank. NBA ordinary shares added L35 to L5,027 after falling L43 on Tuesday, while Gemina, which is contesting the Crédit Agricole move, added L9 to L2,201.

La Fondiaria shed L50 to L55,150. Ferruzzi, the major shareholder in Fondiaria, denied a press report that it was in talks with Suez of France about a possible takeover of the insurance company.

OSLO focused on shipping stocks and firmed in moderate trade. The all-share index rose 4.60 to 490.01.

Shipping issues have found strength in almost daily increases in tanker rates, and Bergesen rose NKr9 to NKr352 on turnover of 191,000 shares.

STOCKHOLM took heart from Asea Brown Boveri's healthy results and the Affärsvärlden General index rose 11.6 to 1,218.4. Asea free Bs gained SKr12 to SKr650.

MADRID weakened again in low volume, with construction stocks leading falls. Concern is growing that the 1990 budget may involve rises in corporate taxes, and that the chances of interest rates coming down are thin. The general index eased 0.47 to 301.13.

BRUSSELS remained hesitant but ended mainly firmer in low volume. The cash market index rose 56.03 to 6,275.9, and MHO, the non-ferrous metals company, jumped BFr1,750 to BFr23,900 on speculation of a possible merger with ACEC-UM.

SOUTH AFRICA

Iscor makes lively debut

THE DEBUT of Iscor, the privatised steel group, on the Johannesburg stock market yesterday provoked frantic trading, *agencies report*.

It was the largest new issue ever on the exchange, and the first privatisation since the sale to the public of one third of the shares in Sasol, the synthetic fuels producer, 10 years ago. Iscor was valued at about R3.7bn ($1.4bn).

The rush to take a stake in Iscor, South Africa's largest iron and steel concern and the world's 15th biggest, was so intense that stock market regulators had to halt dealing temporarily after the first 15 minutes to avoid clogging the exchange's computers.

Iscor shares, offered at R2, opened at R2.25, rose to a day's high of R2.40 and closed at R2.27.

Gold stocks closed mixed to higher yesterday, as the bullion price eased. Vaal Reefs slipped R1 to R405 and Western Deep eased R1 to R160, while Southvaal gained R3 to R157 and Winkels rose R5.25 to R92.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY NOVEMBER 7 1989						MONDAY NOVEMBER 6 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	149.32	−0.5	140.02	126.92	−0.5	5.23	150.11	140.90	127.60	160.41	128.28	147.88
Austria (19)	130.77	−6.8	122.63	125.41	−7.1	1.94	140.38	131.77	135.05	172.22	92.84	95.89
Belgium (63)	137.70	−0.3	129.13	131.58	−0.8	4.21	138.04	129.57	132.60	144.49	125.58	129.63
Canada (122)	148.49	+0.4	139.25	125.86	+0.3	3.21	147.91	138.83	125.47	154.17	124.67	117.10
Denmark (36)	210.42	−0.2	197.33	204.92	−0.5	1.54	210.87	197.93	205.85	219.89	165.35	145.15
Finland (26)	125.48	+0.8	117.67	112.34	+0.5	2.51	124.44	116.80	111.80	159.16	123.12	126.99
France (127)	128.68	−0.4	120.67	126.21	−0.8	2.95	129.16	121.23	127.18	139.94	112.57	108.87
West Germany (96)	92.65	−1.0	86.88	88.84	−1.4	2.32	93.54	87.81	90.07	103.84	79.56	85.00
Hong Kong (48)	115.79	−0.6	108.58	116.15	−0.6	4.88	116.53	109.38	116.89	140.33	86.41	105.76
Ireland (17)	156.14	+0.2	146.42	152.79	−0.2	2.90	155.83	146.26	153.06	166.69	125.00	129.84
Italy (97)	87.54	−0.5	82.09	88.20	−1.1	2.59	87.97	82.57	89.15	95.73	74.97	84.25
Japan (455)	183.95	−0.6	172.50	166.74	−0.7	0.48	184.97	173.62	167.96	200.11	164.22	173.04
Malaysia (36)	191.50	+0.1	179.58	199.13	+0.1	2.66	191.22	179.49	198.91	209.22	143.35	140.21
Mexico (13)	290.11	−1.2	272.05	834.20	−1.2	0.62	293.62	275.61	844.32	326.61	153.32	163.07
Netherland (43)	122.19	−0.3	114.58	116.05	−0.7	4.57	122.55	115.03	116.90	131.72	110.63	109.07
New Zealand (18)	74.81	−1.5	70.16	67.48	−1.7	5.21	75.95	71.29	68.62	88.18	62.64	71.56
Norway (24)	170.93	−0.6	160.29	160.44	−0.8	1.61	171.97	161.42	161.76	198.39	139.92	120.72
Singapore (26)	154.54	+0.2	144.92	139.69	+0.2	2.12	154.23	144.77	139.38	170.62	124.57	121.15
South Africa (60)	162.05	+1.8	151.96	140.57	+0.4	4.00	159.24	149.47	140.07	162.05	115.35	116.29
Spain (43)	155.89	−0.5	146.19	137.29	−1.1	3.81	156.73	147.11	138.80	169.75	143.14	149.72
Sweden (35)	171.89	−0.8	161.19	163.31	−1.0	2.10	173.26	162.63	164.92	188.94	138.45	131.89
Switzerland (64)	84.07	−0.3	78.84	84.31	−0.7	2.24	84.37	79.19	84.94	94.16	67.81	84.25
United Kingdom (306)	141.09	+0.4	132.31	132.31	+0.3	4.60	140.47	131.85	131.85	158.41	133.28	136.69
USA (546)	136.05	+0.6	127.58	136.05	+0.6	3.40	135.22	126.92	135.22	146.29	112.13	112.25
Europe (996)	121.95	−0.2	114.36	115.83	−0.5	3.62	122.15	114.65	116.36	132.95	112.63	113.49
Nordic (121)	165.56	−0.5	155.25	152.45	−0.7	1.86	166.31	156.11	153.49	178.38	137.95	125.27
Pacific Basin (668)	179.92	−0.6	168.72	163.11	−0.7	0.73	180.92	169.82	164.29	194.72	160.44	169.30
Euro−Pacific (1664)	156.80	−0.4	147.04	144.20	−0.6	1.65	157.48	147.82	145.12	166.98	141.56	147.00
North America (668)	136.69	+0.6	128.18	135.42	+0.6	3.38	135.88	127.54	134.62	146.66	112.79	112.49
Europe Ex. UK (690)	109.44	−0.6	102.63	105.76	−1.0	2.92	110.09	103.34	106.85	118.51	96.30	98.91
Pacific Ex. Japan (213)	131.51	−0.5	123.32	117.86	−0.6	4.82	132.22	124.11	118.52	140.05	111.93	124.33
World Ex. US (1859)	156.65	−0.4	146.90	143.79	−0.6	1.72	157.25	147.60	144.65	166.35	141.49	145.66
World Ex. UK (2099)	148.98	−0.1	139.71	142.01	−0.3	2.04	149.15	140.00	142.38	156.04	136.98	132.39
World Ex. So. Af. (2345)	146.17	−0.1	136.95	141.09	−0.2	2.24	148.29	139.19	141.39	155.92	136.67	132.86
World Ex. Japan (1950)	131.33	+0.3	123.16	127.92	+0.2	3.53	130.98	122.92	127.71	140.43	114.51	113.43
The World Index (2405)	148.26	−0.1	139.03	141.08	−0.2	2.26	148.35	139.25	141.38	155.89	136.68	132.75

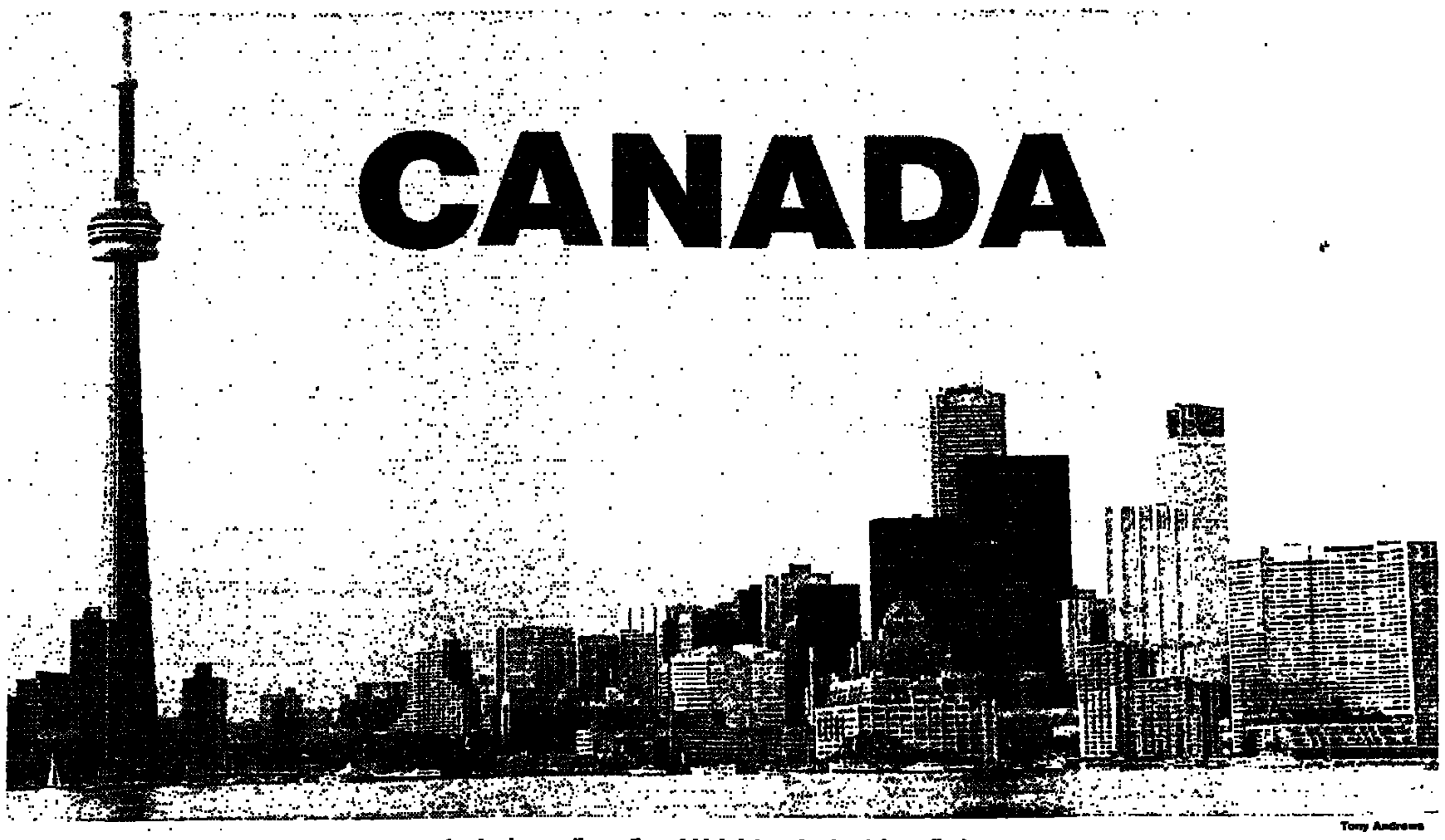
Latest prices were unavailable for this edition.

SECTION III
FINANCIAL TIMES
SURVEY

CANADA

As the federal government battles to reduce the budget deficit, Premier Brian Mulroney may be heading for a constitutional crisis. In addition, Canada looks likely to experience a slowdown in the economy for the first time in eight years. **David Owen** reports.

Glitter wears off economy



Toronto: the beat of Canada's commercial heart is slowing as the policy of high interest rates takes effect

Tony Andrews

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Editorial production: Roy Terry

AS CANADIANS dust off their hockey-skates and dip into their extensive winter wardrobes, on a number of counts immediate prospects are looking less rosy than for seven or eight years.

In Ottawa, the Conservative government is racing hell for leather to make inroads into its worrisome budget deficit in the early stages of its second mandate, before thoughts begin to stray anew to re-election. The upshot has been an unsavoury string of revenue enhancement and expenditure reduction measures, which will culminate with the introduction of a federal sales tax in January 1991.

These measures have begun to bite just as an economic slowdown, which threatens to end an impressive seven-year run of uninterrupted growth, is taking hold. The slowdown is the legacy of the high interest rates on which the Bank of Canada is relying to tame inflation.

Short-term interest rates in Canada are running at a highly unusual 350-450 basis points above those in the US, depending on whether Treasury bills or 90-day commercial paper is used as a benchmark. Such a differential has caused the Canadian dollar to flirt repeatedly with nine-year highs to the exasperation of domestic exporters and the detriment of the country's trade surplus: about three-quarters of Canadian exports are shipped to the US.

Meanwhile, Canadian-based corporations are buying and merging with one another at an unprecedented rate. Coupled with the accelerated pace of internal restructuring which has become apparent in the months since the US-Canada free trade agreement was ratified, this has made for a very uncertain labour environment. A measure of this uncertainty is the credibility attached to the takeover rumours which have dogged Canadian Pacific, the country's archetypal and second-largest conglomerate.

To cap it all, the country may be heading for a constitutional crisis of as yet indeterminate proportions, as Prime Minister Brian Mulroney's Meech Lake accord runs the gauntlet of provincial dissent.

When it was thrashed out by Mr Mulroney and the 10 provincial premiers in a now celebrated all-night session in April 1987, the accord was thought to have resolved the lingering constitutional disagreements between Quebec and the rest of Canada. Much now hangs on the depth of Quebec premier Robert Bourassa's enthusiasm for stitching together a compromise.

All this is not to assert that the outlook is as bleak as November in Tuktoyaktuk. Canadians are set to remain an enviably prosperous and cosseted nation, however hard individuals are buffeted by the coming squeeze.

There is reason to believe, furthermore, that each of the items enumerated above will be ephemeral or ultimately beneficial — or both.

Electoral exigencies all but dictate, for example, that the Mulroney government re-order its priorities and start again to formulate popular (though not necessarily sagacious) policy as the end of its mandate approaches. In the meantime, further detailed appraisal of spending programmes and at least one more austere budget are to be expected. Future spin-offs of this process may include a far-reaching reform of agricultural spending, to add to the unemployment insurance reform, tax hikes and selective spending cuts already initiated.

The economy, meanwhile, is forecast by most (though not all) economists to experience a softish landing, suffering just one or conceivably two quarters of negative growth. Business investment, in particular, has held up surprisingly well — in spite of high interest rates. Indeed, the resultant buoyancy of the Canadian dollar has actively encouraged companies to persist with their plans, since a high proportion of machinery purchases are imported.

After initial upheaval, industrial restructuring may result in stronger, more efficient corporations which are better equipped to compete in global markets. Finally, on the tangled constitutional question, Canada quite simply has a knack of muddling through in such matters; those aware of this track record remain quite confident that a solution (or at least a benign stalemate) will be reached.

Nonetheless, Canadians would do well to eschew complacency with regard to at least two pernicious trends that have yet to be satisfactorily addressed. The first of these is the inexorable escalation of debt at each level of society. Ottawa's deficit assault is thus essentially right-headed, if late, painful and harmful to short-term economic growth. The second is a reprise of the deterioration in the country's cohesiveness. This is likely to require unstinting vigilance if it is not to wither to the point where it becomes difficult to hold the country together.

Canadian corporations are buying and merging with one another at an unprecedented rate

At the end of last year, Canada's aggregate public- and private-sector debt totalled C$998.8bn, according to the Bank of Canada. This was equivalent to 166 per cent of gross domestic product. Four years earlier, the corresponding debt-load of C$651.3bn represented 146 per cent of GDP.

In 1988, Canadian corporate indebtedness rose by 12.5 per cent to C$288.8bn — an increment due in part to the sparseness of equity financing opportunities in the wake of the 1987 stockmarket crash. Household debt, meanwhile, rose by 17 per cent to C$219.9bn. Here, the extraordinarily buoyant property markets in the likes of Toronto and Vancouver were largely to blame.

Just as Ottawa — whose accumulated debt will reach some C$352bn in the current fiscal year — is finally launching into a concerted assault on its budget deficit, so corporations and households alike have since begun taking steps to stabilise their respective loads. The difficulty of making headway in present circumstances ought not to be underestimated, however. Revealingly, the proportion of revenues that the federal government must devote to debt servicing is this year projected to reach a record high of 35 per cent.

Despite its predicament, Ottawa has so far backed Mr John Crow, the angular, English-born governor of the Bank of Canada, to the hilt in his somewhat adventuristic pursuit of price stability, with Finance Minister Michael Wilson expressing readiness to make the necessary fiscal adjustments in due course. It promises to be fascinating to observe whether this solidarity holds true later in the Tories' current mandate. The acid test may come if Mr Crow feels it necessary to tighten monetary policy in the wake of the federal sales tax introduction, to pre-empt a possible wage-price spiral triggered by the incorporation of the one-time tax hike into pay demands.

High interest rates and moves to address the federal budget deficit are also factors in the revival of regional and inter-governmental fractiousness in Canada.

In essence, Mr Crow is a much-maligned figure in the fisheries of Newfoundland and the farmyards of Saskatchewan because the methods he is employing to wring inflation out of the booming southern Ontario economy, are resented as wildly inappropriate for the sedater margins of the outlying regions.

Such views are indicative of a venal streak which is seldom far below the surface in provincial dealings with Ottawa: in the absence of a strong emotional commitment, the extent of a province's allegiance to confederation is directly proportional to the net material benefits which membership brings.

A concerted attempt to balance the Government's books is thus calculated to weaken the ties that bind the country together, since it presupposes cuts in collective and personal money transfers to the provinces, and new tax measures to divert a higher proportion of personal income into federal coffers.

Where Meech Lake has proved instructive is in revealing just how low reserves of emotional commitment to Canada have sunk. When it became clear that Quebec's "bottom-line" position for embracing the constitution was likely to be rejected, whether or not a compromise was sought, a common reaction among English-speaking Canadians was equanimity, coupled with exasperation at the prospect of yet more constitutional meanderings. In Quebec, any sense of apprehension at the prospect of breaking away has evaporated.

Quebec probably benefits from more material lures than any other province. In all, it receives about C$5bn more in expenditures transfers and interest payments from the federal government than Ottawa extracts in taxes. Without these — and certainly if no satisfactory compromise over Meech Lake is forthcoming — it is not unreasonable to suppose that its commitment to Canada would be distinctly insipid.

But Mr Bourassa may not be the only premier weighing what his calculator tells him against his attachment to the common cause. With interest charges now devouring such a disproportionate amount of federal revenues, the benefits of loosening ties with Ottawa are becoming increasingly apparent, and attractive, as Mr William Mackness, dean of the management faculty at the University of Manitoba, has argued.

David Owen discusses the federal political scene

Calm follows election storm

FEDERAL politics in Canada is in a state of relative calm following the storm of last year's coruscating, free trade-dominated general election.

On the Government benches, an aloof and confident Prime Minister Brian Mulroney – the free trade deal in the bag – is luxuriating in the early stages of his renewed mandate. He is concentrating the bulk of his administration's efforts on deficit reduction. The subordination of new policy initiatives that do not have a direct bearing on the government's financial position may be expected to continue (with the exception of the thorny and emotive abortion issue) until thoughts again begin to stray towards re-election.

Both opposition parties, meanwhile, are in the throes of leadership contests. It will be next June before the Liberal standard-bearer who will spearhead the fight to prevent a third consecutive Conservative majority is known.

Of course, the public reaction to the measures so far unveiled in a bid to address the deficit problem – the scything of passenger train services, the introduction of a federal sales tax, reform of the unemployment insurance system, and cuts in defence and foreign aid – have had a gruesome effect on the Tories' popularity.

According to one recent opinion poll, the Conservatives are supported by just 29 per cent of decided voters, against 42 per cent for the Liberals and 25 per cent for the left-of-centre New Democratic Party (NDP). This compares with the Tories' 43 per cent of the popular vote in last November's election.

But this has yet to affect the confident air exuding from the Mulroney camp. After all, the Conservatives have experienced this before: prior to the last election, the party trailed one or another of its rivals until late in the day.

The emergence of Mr Donald Mazankowski, deputy Prime Minister and Agriculture Minister, as a tough and exceptionally shrewd taskmaster and co-ordinator of policy objectives, has also helped to keep the swagger in the Conservatives' step. It has left Mr Mulroney free, for one thing, to strut the world stage in an effort to improve his hitherto lacklustre showing as an international statesman, secure in the knowledge that the scandals and slip-ups which marred the early stages of his first term are unlikely to recur.

Mulroney: confident

Indeed, Mr Mazankowski may emerge as a still more pivotal figure when proposals for reform of Ottawa's agricultural spending are tabled. These too have been given a high priority as part of the multi-faceted drive to reduce the deficit. Mr Mazankowski's credibility as a long-standing Western Prairie MP will be critical to the Government's ability to sell the package to farmers.

The opposition's ability effectively to harangue the Government at a time when the bulk of the legislation being presented to Parliament is unpopular, has clearly been hampered by the resignations of Liberal John Turner and New Democrat Ed Broadbent as leaders of their respective parties. The Liberal vacancy will not be filled until June 1990. The NDP assembles to elect Mr Broadbent's successor less than a month from now.

The reasons for the delayed date of the Liberal coronation – to be held in the western city of Calgary – are essentially twofold. First, it is hoped, the fate of the Meech Lake constitutional accord, which has so divided the party, will be sealed. Second, it is anticipated the public image of Mr Paul Martin, a newly-elected Quebec MP and the preferred candidate of many in the party hierarchy, should be better established.

With so unwieldy a campaign in prospect, no Liberal has yet declared his candidacy, although the main contenders are universally recognised to be Mr Jean Chretien, a former cabinet minister under Prime Minister Pierre Trudeau, and Mr Martin.

The pugnacious and widely recognised Mr Chretien is perhaps the front-runner. But he is disliked by powerful voices within the party (the so-called ABC or "Anybody But Chretien" faction). These voices are casting around for a possible alternative.

With an Ontario patronage scandal apparently putting premier David Peterson out of contention, the leading dark horses appear to be Mr Dennis Mills, a new but well-connected Ontario MP, and Mr Clifford Lincoln, the former Quebec environment minister. Other candidates may include Mr Lloyd Axworthy from the mid-west and the outspoken Ms Sheila Copps from the steel town of Hamilton.

The most telling statistic regarding the impending NDP contest is that 68 per cent of Canadians, according to a poll, cannot name any of the leadership hopefuls. This is largely because the process has been blighted by the decisions of most of the strongest potential candidates not to run. They apparently fear widespread erosion of support (the party won 43 seats last November) should the next election be fought against a Liberal party led by Mr Chretien.

The resultant situation, whereby six less-than-outstanding candidates have pitched their hats into the ring, could be likened to the race between the seven Democratic "dwarfs" for their party's 1988 US Presidential nomination. For the record, those six elusive names are: Mr Simon de Jong, Mr Steven Langdon, Ms Audrey McLaughlin, Mr Howard McCurdy, Mr Ian Waddell and Mr David Barrett.

The chances of none of the six should be discounted, although Ms McLaughlin, whose ingenuousness is reminiscent of Philippines President Corazon Aquino, and Mr Barrett, a former premier of British Columbia, are marginally favoured. Mr Langdon, whose speaking style, however, leaves much to be desired, and the lively and eloquent Mr McCurdy appear the best-placed of the remaining quartet to mount a challenge.

In fact, this period of transition at both major opposition parties may not prove as beneficial to the government as it might have hoped. This is because, for at least eight months, much political attention will be directed away from Parliament towards the provinces and attempts to salvage a meaningful accord from the constitutional reform process.

Looking further ahead, the Government should beware of getting the worst of both worlds in its efforts to reduce its budget deficit.

As things stand, it has already served notice of enough spending cuts and revenue enhancement measures to incur the wrath of broad swathes of the electorate. What it has not yet done is bring the deficit – which edged up to C$28.7bn in the last fiscal year and is projected to rise to C$30.5bn in 1989/90 – unequivocably under control. The rising cost of servicing accumulated debt continues to make this a tough objective.

PROFILE: STANLEY HARTT

An intellectual humorist

SINCE they crossed paths nearly 25 years ago, Prime Minister Brian Mulroney has often told people that Mr Stanley Hartt is the smartest person he has ever met.

At the time, both were young lawyers writing the bar admission examination in Quebec. Mr Mulroney passed at the second attempt. Mr Hartt was placed first in the province.

Nonetheless, last year's move to appoint Mr Hartt, 51, to the key role of Prime Ministerial Chief of Staff surprised many.

The energetic, wiry-haired former Liberal had left Ottawa only eight months previously to return to his private law practice after serving for nearly three years as deputy minister of finance.

While there, he scored high marks for his handling of the department during an exceptionally reform-minded period. This was despite initial scepticism at his appointment among bureaucrats who were concerned that the upper echelons of the civil service were being politicised. (The job has traditionally been held by a professional civil servant.)

He was also generally regarded as an influential advocate of restoring fiscal balance to the federal government by attacking the budget deficit.

It is this stance that explains why his appointment as chief of staff – the most powerful, non-elected position in government – won such wide approval.

Already his influence can be seen in the way the Tories are buckling down to take the type of difficult decisions on spending cuts and tax increases that were largely avoided during their first term.

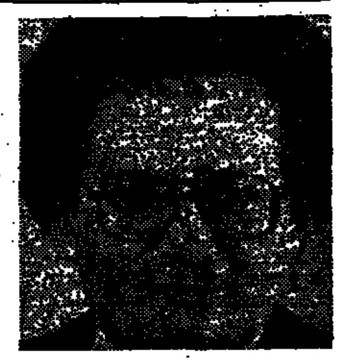
The unpopularity that had followed some of these decisions, however, will challenge even his vaunted political, tactical and strategic skills.

When he first met the Prime Minister, Mr Hartt was a Liberal. His father had been a member of parliament for a Montreal constituency. Mr Hartt himself was an early supporter of Mr John Turner in his first bid for the Liberal leadership in 1968. As the fluently bilingual host of a Montreal television public affairs programme, Mr Hartt was also a dogged supporter of federalism at a time when Quebec separatism was in its ascendancy.

Eventually, the Liberals under Prime Minister Pierre Trudeau sought him out as a prospective candidate for parliament. They even reportedly dangled the promise of a cabinet job to tempt him to run in a 1978 by-election. Mr Hartt instead continued with his lucrative career as a corporate tax lawyer.

On a personal level, Mr Mulroney and Mr Hartt are said to get along well together, thanks in part to the latter's endless supply of sometimes profane humour.

Indeed, the University of Paris law graduate has been described as an intellectual with the style of a stand-up comedian. Such levity must be a valuable commodity in these sombre days of government spending restraint and retrenchment.



Hartt: 'smartest person'

Alan Toulin

Bernard Simon looks at the economy

Slower growth rate expected

CANADA was among the first of the industrial countries to ratchet up interest rates in response to accelerating wages and prices. There is some disappointment therefore that, after almost three years, the central bank has still not seen its way clear to allow rates to drop.

The brighter side of the coin is that interest rates have stayed high because business activity remains surprisingly buoyant.

Some sectors – the automotive and forestry industries are prime examples – have seen a marked slowdown. And the heat has gone out of the booming property market in southern Ontario.

But the overall growth of gross domestic product is expected to reach a respectable 2.5-3 per cent in real terms this year, compared to a peak of 5 per cent in 1988.

Much of the advance is due to continued strength in business investment and consumer spending. Toronto Dominion Bank expects household spending to rise by 3.6 per cent this year (4.3 per cent in 1988), and business investment by about 10 per cent (18.9 per cent last year).

Hefty tax refunds earlier in 1989 and relatively high disposable incomes have encouraged consumers to keep spending, despite high interest rates. On the investment side, many businesses are still completing projects begun at the height of the boom in 1987 and 1988. With four-fifths of machinery and industrial equipment coming from foreign suppliers, the strong Canadian dollar has also provided an incentive for companies to press ahead with their spending plans.

Although the damage from high interest rates has so far been moderate, there is widespread agreement that they are likely to put a much harder brake on the economy over the next year or so.

Banks' prime lending rate has climbed from 9.75 per cent in early 1988 to 13.5 per cent for most of this year. A more significant indication of the Bank of Canada's determination to hold up money costs is that the gap between Canadian and US rates has opened up from the usual 150 basis points to about 450 points at the end of October.

The wide differential has confounded earlier predictions of a weakening Canadian dollar. The currency has traded above 85 US cents for much of the past three months, its highest level in almost a decade.

The high rates will almost certainly put a damper on the economy for at least the next 12 months, with a full-blown recession possible sometime during 1990. The Conference Board of Canada predicts that real GDP growth will dip from 2.8 per cent this year to 1.8 per cent in 1990, with the advance in consumer spending slowing from 3.7 per cent to 1.9 per cent.

The big question is the extent to which high interest rates and slowing growth will take the wind out of inflation.

Wilson: Finance Minister

So far, the record has been disappointing. The advance in consumer prices has accelerated from an annualised rate of little more than 4 per cent during 1988 to 5.2 per cent in the past few months. "Inflation pressures seem to be stickier than we had expected," Finance Minister Michael Wilson said recently.

Higher excise and manufacturers sales taxes are partly to blame for this year's spurt in prices. But the authorities are most concerned by unrelenting wage pressures. With the unemployment rate lower this year than in 1988, many businesses still have trouble finding – and keeping – skilled workers and managers. Wage settlements in southern Ontario averaged 6.6 per cent in the second quarter, and some union contracts have been negotiated at even higher rates since then.

Predictions of trends in wages, inflation and the economy as a whole are greatly complicated by the scheduled introduction of a consumption-based Goods and Services Tax (GST) at the beginning of 1991.

The GST has far-reaching implications for the economy. It is a cornerstone of the Mulroney government's reform of the tax system, designed to replace a hefty sales tax levied only on manufacturers, and to give Ottawa a broad-based source of revenue to attack the yawning budget deficit. But even some who favour the principle of a consumption tax are concerned that the advent of GST could do serious harm to the economy in the form of sharp price hikes followed by a wave of big wage demands.

The government has proposed that the tax be set initially at 9 per cent. Low-income earners will get a tax credit to compensate them for GST payments. Against the better judgment of many senior policy-makers, the cabinet decided in the run-up to last year's general election to exclude food and other essentials from the tax.

The estimates of the GST's impact on the economy vary enormously. Based on the proposed 9 per cent rate, the finance department forecasts that the GST will boost gross domestic output by 0.2 per cent in the first year, create 35,000 jobs and add a one-time burst of 2.25 percentage points to the inflation rate.

Most private sector economists have produced more gloomy figures, estimating that the GST will shrink rather than augment total output and lead to a loss of jobs. The Toronto securities firm ScotiaMcLeod expects consumer prices to climb by 6.8pc in 1991.

Fears of the strong inflationary impact of the GST have brought a widespread call on Ottawa to lower the rate of the tax to, say, 7 per cent, by cancelling the proposed exemptions, especially basic groceries.

In reality, the chief determinant of the GST's impact will probably be the general state of the economy. If consumer demand is strong in early 1991, businesses will have little trouble passing on the full extent of the GST (and, in some cases, perhaps even more) in the form of higher prices. But a weak economy and stiff competition among suppliers may encourage many businesses to absorb at least some of the extra tax, thereby containing its inflationary effect.

With inflation still not squeezed out of the economy and the GST on the horizon, some of the experts who had hoped for a sizeable fall in interest rates as early as last summer, now expect only modest relief in 1990, and fear that rates may even be rising again by early 1991.

Gary Filmon: biggest challenge to his political career — Dave Bonner

PROFILE: GARY FILMON

In search of a compromise

OF THE three provinces which oppose the Meech Lake accord, Manitoba is the most unpredictable. While the premiers of New Brunswick and Newfoundland are free to accept or reject the constitutional changes proposed, the decision for Mr Gary Filmon, Conservative premier of this mid-western province, is not his alone.

Mr Filmon leads the only minority provincial government in Canada. His government's legislation needs the support of either the opposition Liberals or the New Democrats. Forging a compromise on Meech Lake will present the biggest challenge of Mr Filmon's chequered political career.

Certainly, the constitutional question is fraught with danger. If Mr Filmon rejects the accord with the support of the other parties, he could unleash a national constitutional crisis. But if he supports it, without gaining the support of the opposition, his government could fall.

Party insiders feared that the boyish, barrel-chested hydraulic engineer was not up to the job

That Mr Filmon is still premier has astonished some. In March 1988, the governing New Democrats were defeated in a vote of confidence midway through their second term in office.

Although Mr Filmon's Conservatives were expected to win a majority in the subsequent election, they managed only a narrow plurality.

Indeed, the real winner of the contest seemed to be the Liberal party, led by the mercurial Ms Sharon Carstairs. The Tories won 25 of the 57 seats, the Liberals 20, while the New Democrats were reduced to a rump of 12.

While Mr Filmon became premier, party insiders feared that the boyish, barrel-chested hydraulic engineer was not up to the job. Such concerns are typical of the reservations which have plagued him since he took over at the helm of the party six years ago.

Mr Filmon entered politics as a councillor in Winnipeg, the city where he was born into a working class district 47 years ago. After a decade in business, he was elected to the legislature in 1979. He served in three portfolios in the Conservative government before it was defeated in 1981.

After he lost his first election in 1986, there were persistent rumblings that Mr Filmon was too moderate for his party; many also saw him as dull and indecisive. "He is not a pulpit-pounder," says a former assistant. Like US President George Bush, he has been called both a wimp and a nerd. Still, he has surprised many people by winning power and navigating the shoals of minority government.

In fact, his handling of Meech Lake reflects his growing political savvy. Like his predecessor, Mr Howard Pawley, Mr Filmon originally supported the accord. But shortly after he introduced a bill of ratification last December – all provincial legislatures must approve the accord – he reversed himself and withdrew it.

The catalyst was Quebec's new restrictions on the language rights of English-speaking residents. But many observers suspected that was simply an excuse for the government to abandon the accord, which was becoming increasingly unpopular in Manitoba.

Mr Filmon knew that he could not get the accord through the House. Rather than risking defeat on the issue, he sent it to a legislative committee which recently drafted a common position. In winning the agreement of the other leaders, he appears to have defused the issue in Manitoba.

Beyond Meech Lake, Mr Filmon has managed to consolidate his support by capitalising on hostility towards the federal government. He has lashed Ottawa for its interest-rate policy, its scything of the national rail service and its proposed national sales tax.

Mr Filmon expects to call an election within the next two years. If he wins a majority, he will silence his critics, and emerge as a leading voice among Canada's new circle of provincial leaders.

Andrew Cohen

KEY FACTS

Area	9.976m sq km
Population	25.95m
Prime Minister	Mr Brian Mulroney
ECONOMY	
GDP per capita	$18,747
Real GDP growth 1988	4.5%
1978-88 annual average	3.2%
Budget deficit as % of GDP 1988-89	-4.8
Current account balance 1988	-$8.33bn
1987	-$7.06bn
Total reserves excl gold (end Aug 89)	$15.947bn
Inflation 1988	4.0%
1978-88 annual average	*6.9%*
EXPORTS AND IMPORTS	
Merchandise exports 1988	$114.845bn
1987	$97.887bn
Merchandise imports 1988	$105.964bn
1987	$88.824bn
Trade with US	
1988 Exports	$81.973bn
1988 Imports	$70.394bn
Trade with US as % of total trade	69.6
Main exports (% of total) – 1988	
Machinery and transport equipment	37.9
Wood, pulp and newsprint	13.1
Crude oil and natural gas	4.9
Wheat	2.6
Exports by destination (% of total) 1988	
US	73.2
EC	8.0
Japan	6.3
Imports by source (% of total) 1988	
US	65.9
EC	12.2
Japan	7.0
CURRENCY	
100 cents	1 Canadian $ (C$)
Average exchange rate 1988	
$ = C$1.2307, £ = C$2.1898	

David Owen discusses constitutional reform

Discordant notes on accord

THE year 1990 may be a year of constitutional crisis in Canada.

The Meech Lake accord, hammered out to great acclaim by Prime Minister Brian Mulroney and the 10 provincial premiers in April 1987, is in danger of falling apart. Two provinces – Manitoba and New Brunswick – have yet to ratify the document, and the premier of a third – Newfoundland – is threatening to rescind his province's support unless changes are made.

Both Mr Mulroney and Quebec premier Robert Bourassa continue to insist, meanwhile, that the accord cannot be altered. A spirit of compromise is required, clearly, if the constitutional reform process is not to revert to stalemate or worse. The story so far:

Meech Lake was conceived essentially to address the main item of unfinished business from the prior round of constitutional reform. This was the refusal of the government of predominantly French-speaking Quebec to sign the constitution following the patriation of the British North America Act and the entrenchment of a charter of rights and freedoms in 1982. At the time, Quebec was governed by the separatist Parti Quebecois administration of premier Rene Levesque.

After defeating Mr Levesque in the December 1985 provincial election, Mr Bourassa, the new Liberal premier, proceeded to articulate a list of five key conditions for Quebec's embracing of the constitution. These were: explicit recognition of Quebec as a "distinct society"; more powers over immigration; restrictions on federal spending power; recognition of Quebec's right to a veto; and a role in nominating Supreme Court judges.

These points formed the basis of the Meech Lake accord when it was cobbled together. In most cases, consensus was obtained by offering the powers demanded by Quebec to the other provinces. The accord consequently portends a degree of decentralisation which is regarded as unacceptable by a broad smattering of special interest groups and prominent individuals, including former Prime Minister Pierre Trudeau.

Though it received the immediate support of both federal opposition parties, who were anxious not to alienate the Quebec electorate ahead of the approaching general election, the accord needed to be formally ratified by Parliament and all 10 provincial legislatures before the changes were formally adopted. During this process the potential stumbling-blocks appeared.

The problem is that the respective premiers of Manitoba and New Brunswick, who signed the accord after a gruelling all-night negotiating session, were defeated in subsequent provincial elections. Emboldened by mounting opposition to the pact, those left holding the reins of power have hesitated before recommending endorsement.

Premier Frank McKenna of New Brunswick insisted on awaiting the (still unpublished) conclusions of a series of public hearings before deciding. He has recently been making conciliatory noises. He insists, however, that ground will have to be given on both sides if the accord is to survive. Mr McKenna's principal misgivings concern the weakening of federal spending powers and the charter of rights, which he fears might be undermined.

In Manitoba, Conservative premier Gary Filmon initially supported the accord but was obliged to delay Manitoba's ratification vote owing to his government's minority status and the deep reservations expressed by both opposition party leaders.

The promulgation last December of Quebec's controversial English-language legislation provided Mr Filmon with an opportunity to reverse his stance. This he grasped – dramatically improving his personal popularity ratings in the process. The leaders of the three Manitoba parties have just published a joint submission that seeks certain changes to the accord as the price of their province's support. Demands include recognition of the special status of other ethnic groups in Canadian society and the watering down of a unanimity requirement for future Senate reforms.

The Meech Lake accord is in danger of falling apart

In Newfoundland, Tory premier Brian Peckford was defeated only after presenting Meech Lake to the legislature for ratification. His successor, Mr Clyde Wells – a Liberal, is now threatening to rescind that approval if substantive changes are not made to address his concerns over the weakening of federal spending powers and, again, the need to secure unanimity for future senate reform.

Though his position is regarded by some as a negotiating ploy to attract federal largesse, Mr Wells – a constitutional lawyer by profession, is seen by others as the most implacable of Meech Lake's provincial foes.

Mr Mulroney and the newly re-elected Mr Bourassa have so far singularly failed to bend in the face of this mounting clamour for change, arguing that the countenancing of the slightest amendment could prompt the whole accord to unravel.

Meanwhile, a June 1990 "deadline" for completion of the ratification process ticks ever nearer. If it arrives with no solution in sight, the fear is that Quebec may feel definitively ostracised by its English-speaking compatriots, since even its *sine qua non* would have proved beyond the pale. Among Francophones, after all, Quebec's five conditions are regarded as extremely moderate.

But Canada, which has spent much of its history wrestling with one perceived threat to its survival or another, has a happy knack of muddling through against the odds. A compromise to finesse or head off either Quebec's ostracisation or, indeed, the country's lingering death by decentralisation is still clearly feasible.

In one corner, the three dissenting premiers could conceivably be satisfied with the exaction of some form of undertaking to address their most serious grievances in the next round of constitutional reform.

In the other, Mr Bourassa might be prevailed upon to give a little ground, heartened as he must be by his renewed plurality and the strong indication that the concept of a "distinct society" clause has been accepted. An opportunity for the Quebec premier to cede turf without losing face is even present: on at least one of its conditions – a role in nominating Supreme Court judges – the province was granted demonstrably more than it had asked for and more than it had previously (in 1971) under the same premier, shown it would accept", as Professor Stephen Scott of Montreal's McGill University has pointed out.

There may be relief, too, from intensifying time pressure. According to some constitutional experts like Mr Gordon Robertson of the Institute for Research on Public Policy, the June 1990 deadline – much beloved of the media – is actually mythical.

Mr Robertson's argument rests on the contention that the accord's resolutions of approval are being passed under the authority of a section of the 1982 Constitution Act – section 41 – to which no time-limit applies.

It could be that neither side will want to exploit such a loophole, however. The longer the accord's fate remains unresolved, the greater is the risk of further complications developing through the defeat of more of the document's signatories at the ballot box.

David Owen discusses foreign policy

A declining troubleshooter

IT IS now 32 years since Lester Pearson, the late former Canadian Prime Minister, was awarded the Nobel peace prize for his role in helping to ease Britain and France out of Egypt.

In the interim, little in terms of Canada's position in world affairs has altered: it remains a prosperous, widely-respected and well-connected middle power. But these days it seems to have less and less of substance to impart on the problems besetting the world. It is perhaps revealing that Swedish diplomacy has received most of the plaudits for encouraging the first tentative links between the US and the PLO.

In recent years, Canada has been:

These days it seems to have less and less of substance to impart on the problems besetting the world

- Manifestly slow to recognise the significance of *glasnost* and the potency of the nationalistic forces that it has unleashed in eastern Europe.
- Deafeningly silent on Latin American debt, to the dismay of those who believe Canada should better capitalise on its unique position as a member of the Commonwealth, La Francophonie and the Group of Seven to help reduce north-south tensions. (This, despite the conception of an innovative relief plan in the domestic private sector by Bank of Nova Scotia.)
- Ultimately indecisive on China, notwithstanding the initial dispatch with which the Canadian ambassador was withdrawn from Peking in the wake of the Tiananmen Square massacre.

Even on the issue of apartheid, where Prime Minister Brian Mulroney moved swiftly to take a decisive stand, an embarrassing hiatus has ensued. Mr Mulroney's bold and much-publicised 1985 pledge at the United Nations to invoke "total sanctions" against South Africa in the absence of "fundamental changes" has been followed by little action and a sharp augmentation in Canadian imports from the apartheid state.

Many ascribe this apparent dearth of initiative to the country's increasingly binding ties to its powerful southern neighbour. As early as 1953, the Soviet delegate to the UN, Andrei Gromyko, described Canada as "the boring second fiddle in the American symphony".

Certainly, Mr Mulroney – who grew up in a town dependent on American capital and gained much of his managerial experience with US-controlled Iron Ore Co of Canada – has done everything possible to restore warmth to US-Canadian relations after the chill which enveloped the final Trudeau years. The nature of the defence links between the two countries, furthermore – not only within Nato but also under the North American Air Defence Treaty (Norad) – means that the US inevitably exerts a considerable influence over Canadian strategic policy. The cancellation of Canadian plans to acquire a fleet of nuclear-propelled submarines, though it owed much to budgetary constraints, underlined this.

Yet even under Mr Mulroney, Canada has criticised certain US policy initiatives, notably in Nicaragua. "There are enough items of substance where we have a differentiated Canadian policy that the view that we are a flunky or lackey on developing country issues does not stick," argues Mr Stephen Lewis, Canada's former UN ambassador. Though cynics interpret much of this differentiation as a relatively painless display of independence for the consumption of domestic voters, there would appear to be more behind Canadian foreign policy inertia than mere subservience to US interests.

One alternative explanation is simply the low priority accorded to foreign affairs *per se* during the Mulroney government's first five years in office. In this period, the government's main preoccupations were, initially, cementing the US-Canada free trade agreement and now engineering constitutional reform and a reduction in the federal budget deficit. In such circumstances, it is perhaps not surprising that some of the goals and aspirations of External Affairs – which has been presided over throughout the Mulroney years by Mr Joe Clark, the former Prime Minister – have apparently been subordinated to these overriding concerns. "This government does not want to meddle in things in which it has little chance of influencing the outcome," says Mr Charles Doran, director of the Canadian studies centre at Johns Hopkins University's School of Advanced International Studies in Washington.

One unwelcome consequence of this was the decision – revealed last April in Finance Minister Michael Wilson's necessarily austere fifth budget – to slash C$1.8bn from Canada's foreign aid budget over five years. The move was announced within four months of the publication of an OECD statement lavishing praise on Canada's aid programme. Viewed in conjunction with a 66 per cent increase in spending on concessionary loan disbursements that Ottawa was compelled to sanction, the inference is that money earmarked in previous years for the poorest of the poor is in effect being channelled to countries which can afford to countenance major infrastructural developments.

But another more positive upshot has been the growth of an innovative strain of Canadian economics- and trade-related diplomacy. One could argue that the art of creative foreign policy-making in Canada has not disappeared, but merely migrated.

One example of this is Canada's membership of the so-called Cairns group, a collection of 13 agricultural exporting nations which have pooled resources to fight for common goals. Another is its recent tabling of a compromise position on tariff reductions at the Gatt. Still another is its renewed effort – in concert with the US – to encourage fellow OECD members to reduce the extent of their financing of concessionary loans.

There would appear to be more behind foreign policy inertia than subservience to US interests

Clearly, these initiatives have not been undertaken for philanthropic reasons; all may (before the next election) have positive implications for Canadian trade and contribute to the deficit reduction effort. But, equally clearly, their impact may be much broader than that. Canada would not be the only country to benefit from a genuine liberalisation in global trade flows.

This focus on a limited number of issues has also made it fascinating to observe the Canadian attitude towards multilateral institutions under Mr Mulroney's stewardship. Multilateralism has been very much a leitmotif of post-war Canadian foreign policy. "Canada's opportunity to influence the course of world events lies primarily in sound multilateral institutions," the 1984 Throne speech clearheadedly argued.

Canada would not be the only country to benefit from a genuine liberalisation in global trade flows

Except when the agenda of the body in question has touched directly on the government's pre-ordained priorities, however, Canada has often, evidently, had little to contribute to proceedings. On such occasions, being seen to belong to – or still better play host to – international organisations has appeared to acquire the status of an end in itself. One example of this was Canada's campaign last autumn (in advance of a general election) for a seat on the UN Security Council. Says Mr Lewis: "Nobody, as far as I could see, had sat down and thought why we wanted to be on the Council... I think I can say that with some authority, having done the campaigning."

The enduring seriousness of Canada's commitment to healthy multilateral organisations should not be doubted, however, for all Ottawa's evident eagerness to exploit them for domestic political ends. This is perhaps best illustrated by the skill and tenacity with which the country has worked towards a settlement of the international tin crisis. Among the prime motivating factors was said to be "concern at the effect on international organisations of this going unresolved".

THE battle for Connaught BioSciences, the Toronto-based vaccines manufacturer, has ruffled a few feathers. Institut Mérieux of France and Ciba-Geigy of Switzerland have been locked in a conflict in which Investment Canada, the Government's investment review agency, has intervened.

The agency had said it was not satisfied that Mérieux's bid is likely to be of net benefit to Canada. The move came as somewhat of a surprise, given Canada's comparatively liberal foreign investment policy of recent years.

It also came against a background in which the level of mergers and acquisitions in Canada has been in hyper-drive, and prominent among those entering the fray have been foreign companies.

One calculation is that foreign companies have accounted for about one third of the value of all acquisitions in Canada over the past few years.

In 1988, 1,300 M&A transactions were announced, representing around C$24bn in value. In the first half of this year alone, the total M&A deals in Canada amounted to an estimated $20bn following some hefty transactions, including the takeover by Stone Container of the US of Consolidated Bathurst, and the merger by Molson of Canada and Elders of their brewery assets, and Exxon's takeover of Texaco Canada.

The intensity and the size of some of the activity might be new in Canada, but foreign investment certainly is not. The nation, which has thrown off its Fortress Canada image, has long been used to foreign acquirers, particularly from the US and the UK.

The Mulroney government has reopened the nation to investment in several ways. It has relaxed the rules with creation of Investment Canada, a federal agency mandated to encourage both domestic and foreign investment – in marked contrast to its predecessor, the Foreign Investment Review Agency.

Foreign investors reacted quickly to the move. It led to a marked increase in gross capital flows to Canada which were almost C$9bn annually between 1986 and 1988, compared with C$4bn during the first half of the 1980s.

TRADE AND INVESTMENT

M&A activity in hyper-drive

In addition, it has set about deregulation in several key areas, such as energy and transport, and now it has enhanced its attractiveness to foreign investors through the free trade pact with the US.

During recent years it has been helped by a strong economy, by the growing trend among companies towards globalisation and the amount of cash available for M&A activity. These have served to create virtually a hot-house climate.

Canada is anxious to jump on the globalisation bandwagon.

The trade pact is a key factor in this strategy as a result of which policy makers are constantly looking beyond the strictly bilateral to the much broader implications of the pact.

Officials see the pact as a magnet to companies who want to enjoy the benefits of Canada, such as cheaper energy, while being secure in the knowledge that they have a launching pad for an attack on the 240m-strong US market.

Though Canadian negotiators failed in their objective of obtaining a cast iron guarantee of access to this market, the fair application of US trade law is at least assured by the pact's dispute settlement.

Mr Alan Nymark, executive vice-president of Investment Canada, points out that the total stock of foreign direct investment in Canada in 1988 was $110bn, and the lion's share, some 70 per cent, of this was accounted for by US investors.

But, he added, that other countries were now investing heavily in Canada and it has benefited considerably from the strengthened position of Japan, West Germany and France in the post-war economy.

The Canadians are keen to develop their relationship with the fast-growing Asia Pacific economies, seeing them as a potentially rich source of investment. Although starting from a smaller base, the Asia Pacific percentage of the total foreign direct investment in Canada has been growing faster than any other.

For example, Japan in 1988 accounted for 2.8 per cent of the book value of foreign direct investment while it topped the 1980-88 average annual growth league table for the book value of such investment with a figure of 22.7 per cent.

Last year net Japanese investment was boosted by Daishowa Paper Manufacturing's purchase of Reed International's North American pulp and paper assets.

The Japanese, through Toyota, Honda and Suzuki, have also been prominent in investment in the motor industry, although they were attracted in part by a controversial duty remission programme which Canada says it will discontinue under the terms of the trade pact. Japanese officials have said that their share of investment will grow, perhaps to 4 per cent, and will be diversified.

The structure of foreign direct investment is also revealing.

Almost 80 per cent of the increase in the stock between 1980-86 was attributable to retained earnings, said Mr Nymark. The high rate of retained earnings is largely attributed to the investment in the resources sector, but Mr Nymark said that more than 40 per cent of the total stock is in the manufacturing sector.

This is followed by oil and gas and the finance sector which is also being helped by a still incomplete liberalisation policy. The amount of foreign money being poured into property investment has attracted much publicity.

Vancouver and Toronto have been the target of much of the offshore money with Asian purchases in Vancouver, in particular, hitting the headlines.

However, Mr Nymark maintains that although the property investment has been controversial it forms a relatively minor part of the overall flows.

The Canadians want to see investment of a positive kind, especially in the high-tech area, but it is too early to properly assess the effect the pact is having since this will depend on a range of factors, not least the performance, both absolute and relative, of the Canada and US economies.

Some of the evidence of the pact's influence so far is said by officials to be anecdotal. But the pact is helping to stimulate a degree of disinvestment in the form of plant closures, by speeding the rate at which multinational companies restructure in response to the trend towards globalisation. These have tended to occur in basic manufacturing industries, such as food processing.

The view, therefore, is that Canada has become a much more attractive proposition for the foreign investor who is seen as vital to strengthening the country's role in areas such as R&D activities and high-tech.

The government and many analysts are convinced that the pact will be a boon to foreign investment and that the economic policy will ultimately lay the basis for a more dynamic investment climate.

Bob Vincent

Terry Kirk

Niagara Falls: the Free Trade Agreement is described as a watershed in the history of Canada's commercial relations

US-Canada Free Trade Agreement assessed

New baby is causing concern

THE US-Canada Free Trade Agreement is a new baby. The progeny is not yet a year old and its conscientious parents are intent on bringing it to robust adulthood. But as the parents eye each other over the cradle, some Canadians are showing signs of concern.

The concern is centred not so much on the pact itself as the performance of their economy measured in the key area of competitiveness.

The pact has been described as a watershed in the history of Canada's commercial relations, and a trailblazer for the current round of global trade negotiations in the General Agreement on Tariffs and Trade in areas such as services and agriculture.

It will remove virtually all remaining tariffs on trade between the two partners over a 10-year period. The net result for Canada, say economists, will be a richer nation since the pact will boost growth, incomes and employment.

The changes which are predicted to be wrought by the pact are seen as more of a continuation of a bilateral process that has been going on for some time.

The Auto Pact, for example, which was signed in 1965, made way for duty-free trade within the automotive industry, albeit with "strings" in the form of domestic value-added and content requirements.

But such has been the response to the negotiation of the agreement that requests, amounting to several thousands, have been coming in from an array of business sources on both sides of the border for an acceleration of tariff reductions.

Officials see this as an encouraging sign. These requests, not all of which will be granted, will have to be considered by the governments and industries concerned in the US and Canada.

A further promising omen was the eminently diplomatic first ruling (on fish) by the bilateral disputes procedure covering dumping, countervailing duties and other issues set up under the agreement.

The two sides were unable to agree on new rules governing such disputes, although they are committed to developing a new regime.

Canada was anxious to increase predictability and security for its exporters under the pact, and in the end the negotiators came up with a system of bilateral panels to hear anti-dumping and countervailing duty disputes while the two sides' national rules remained in place.

The aim of the panels is to ensure that cases are heard impartially. Those on the table at the moment are largely technical and both sides are anxious to see how the interim measures work in practice.

But Canada's exporters are feeling distinctly uncomfortable about another issue which could hurt their performance within the trade pact – that of competitiveness. They have been hit by the strength of the Canadian dollar against its US counterpart and by accelerating wage rates in a tight labour market.

The authorities have adopted a tough monetary policy to bring inflation, currently at just over 5 per cent, under control and in the process it has taken the bank prime rate to 13.5 per cent which is well above that of the US.

Mr James Taylor, president of the Canadian Exporters Association, said that exporting companies were concerned that they were losing their competitive edge under the sledgehammer of monetary policy.

The level of interest rates he described as "overkill". The road to zero inflation, he added, was littered with casualties.

Mr Taylor emphasised that they were better off having the pact than not, but maintained that the government should adopt an economic policy which was more sensitive to Canada's competitiveness.

His words are echoed by Mr E.P. Neufeld, of the Royal Bank of Canada, in his latest forecast. He pointed out: "Canadian wage increases since the final quarter of 1988 have once again overtaken those in the US – a disturbing development with negative implications for our competitiveness against the US. Indeed, unit labour costs in Canada's manufacturing sector have increased by 15 per cent since early 1985, compared with only 1 per cent in the US.

"When the rise in the value of the dollar is taken into account, our labour costs have risen 30 per cent in US dollar terms over this period – a wide and growing gap that is clearly reflected in Canada's deteriorating trade performance."

The Bank of Canada, having identified the bogey of inflation, is adamant that it will maintain its monetary and fiscal policies to defuse inflation pressures.

But some businessmen feel that in the short term at least the medicine is proving just as damaging as the disease it is aimed at curing.

The worries dogging Canada's exporters have brought home the fact it has and will place greater disciplinary pressures on the economic policy-makers and Canadian companies, both large and small, which will have to do business in a more competitive environment.

Bob Vincent

David Owen looks at the indigenous peoples

Mutual defence treaty

IN PICTURESQUE and symbolic Quebec City four months ago, nine of Canada's most prominent Indian chiefs signed a ground-breaking mutual defence treaty.

The document, which has now been ratified by 15 indigenous nations, contains pledges to consult whenever the "fundamental rights" of any of the signatories are compromised, and to provide assistance in the event of security threats. "The parties agree that a threat against one of them shall be considered a threat against them all," the pact proclaims. It constitutes, in intent, the Canadian native peoples' version of Nato.

The treaty follows a period of increasingly bad-tempered clashes between natives and the federal and provincial authorities across Canada. It raises the prospect that any future incidents may pit the powers-that-be against not merely a band but a loosely-constituted indigenous alliance. The agreement is a landmark in two respects.

For one thing, it shows a willingness among native peoples to bury often deep-seated differences to form a united front on issues of the highest importance.

Ever since the 1930s, when Canada's indigenous population began to rise again, rendering "fatuous", in J.R.Miller's phrase*, policies predicated on their eventual disappearance, the quest for solidarity among bands has been a recurrent theme of the native struggle. "Most of our efforts are devoted to creating a national position on major issues," says Mr Georges Erasmus, chief of the Assembly of First Nations (AFN), the first enduring native umbrella grouping (which, however, does not represent Canada's mixed-blood (métis) or Inuit peoples). "Unity has always been important among our people and it may be getting more important than ever."

Notwithstanding its importance, this quest has not been easy: securing consensus among the fissiparous native bands of Canada – some of whom were for centuries sworn enemies – has proved an elusive goal, even on the most critical of issues. False starts included the formation of the North American Indian Brotherhood in 1936 and the National Indian Council 25 years later.

Even since the establishment of the AFN in the early years of this decade, the quest for unity has been an uphill struggle. In 1985, a group comprising bands from Canada's vast western plains broke away from the AFN to form its own alliance, following the defeat of their leader, Saskatchewan's Mr David Ahenakew, by Mr Erasmus. Only recently has a limited reconciliation between the two bodies been effected.

Georges Erasmus: unity has always been important

But cementing Canadian native unity requires more than the erasure of differences between ancient rivals. There are strictly legislative barriers to solidarity to overcome as well.

The bands hounding Ottawa for resolution of their grievances are deemed to fall into two distinct categories: those who have never signed treaties abdicating ownership of their lands; and those who maintain that prior government promises have been broken.

The treaty shows a willingness among native peoples to bury often deep-seated differences

For the former, the only recourse is an appeal to aboriginal title in the form of a comprehensive land claim. If the claim is accepted, Ottawa will then offer to extinguish such title in return for cash, land and limited self-government. The question of sovereignty, which many natives regard ultimately as the only escape from the generations of paternalism and neglect to which they have been subjected, is hence avoided.

The latter, meanwhile, can file so-called specific claims, detailing the nature of the alleged betrayal. Obviously, actions that are in the interest of one group are not necessarily in the interests of the other. Just such a dichotomy, indeed, was at the root of the AFN split in 1985.

Moreover, the very structure of the land claims process, whereby each case is dealt with on a piecemeal basis, can mean that unity is hard to maintain even within bands. The reaction to an offer of wealth in return for the acknowledged extinguishment of rights often varies from band member to band member. Inevitably, in view of the poverty and aimlessness which plague many reservations, some will want to take the money and run.

So central is this dilemma that it has become a preoccupation of much contemporary native writing. In Tomson Highway's play Dry Lips Oughta Move to Kapuskasing, Gary Farmer portrayed a character enthused with the idea of hauling his reservation out of its alcohol- and religion-induced torpor by mass-marketing apple-pies. In Jonathan Wacks's film Powwow Highway, the same Gary Farmer takes a cynical, hard-nosed fellow band member on a spiritual trek to a sacred native shrine.

In one long-outstanding case this summer, Ottawa even moved to exploit such divergent sentiments by creating a brand new band – the Woodland Cree – comprised partly of a minority of Lubicon Lake Indians who were dissatisfied with Chief Bernard Ominayak's hard-line leadership. Negotiations over the 50-year-old Lubicon land claim had broken down earlier in the year.

The mutual defence treaty is also evidence of the increasing resentment felt by original Canadians at the funereal pace and lack of flexibility which they see as characterising the comprehensive land claims process. To date, only one comprehensive claim has definitely been settled, while a further two have reached the agreement-in-principle stage.

The deals signed to date, furthermore, have covered tracts of land in the exceptionally sparsely-populated north of the country, where white Canadians are in the minority and the risk of raising hackles is slight. In the south, where most of Canada's 1.5m indigenous people live, it is much more problematical to arrive at mutually acceptable solutions. It is a measure of how slow progress has been that the outline agreement signed last year with three Indian bands in the remote Yukon territory took 15 years to conclude.

Despite its palpable failure, however, there seems little prospect of a meaningful reform of Ottawa's piecemeal approach to land claims until such time as a clear, legal definition of aboriginal rights is reached. Although they are affirmed and entrenched in the Constitution Act of 1982, aboriginal rights remain, in the words of the Canadian Encyclopedia, "the most undefined, uncertain and fragile rights known to our law".

In the meantime, it seems all but inevitable that instances of direct action taken by native groups in a bid to publicise their frustrations will proliferate, increasing the chances of a really serious confrontation with the forces of law and order.

But there is one further avenue being exploited by some native groups which may ultimately be more effective than small-scale acts of rebellion in establishing native concerns more prominently in the Canadian political consciousness.

In a nutshell, bands are having some success in securing court injunctions to halt specific industrial developments on disputed lands, pending the settlement of outstanding claims. The tactic has been used recently to delay the construction of logging roads in Ontario and British Columbia. The Innu of Labrador plan shortly to file a similar lawsuit in a bid to halt low-level flying at the expanding Goose Bay Nato base.

The technique is essentially that adopted in 1972 by an Indian/Inuit coalition seeking to stop the construction of premier Robert Bourassa's vast James Bay hydroelectric project in northern Quebec. Though the requested injunction was turned down on appeal, this activism eventually produced a negotiated settlement. The deal assured the natives concerned of rich royalty payments over 50 years, control of the sites they occupied, and hunting and fishing rights. It also turned Chief Billy Diamond, of the James Bay Cree, into an overnight folk hero.

"Of course, the approach is only of use when major developments are planned on Indian lands. As such its breadth of application appears distinctly limited. However, so vast are the tracts of land covered by comprehensive claims – 54 per cent of the Canadian land mass, according to the Department of Indian & Northern Affairs, with one even embracing Parliament Hill – that the disruptive effect on business could be considerable. Enough, conceivably, to provide native groups with some unlikely (and powerful) allies in their efforts to get negotiations with government moving at a more acceptable pace."

* *Skyscrapers Hide the Heavens by J.R.Miller (University of Toronto Press).*

THE newspaper headline said it all: Slashed in half. The object of the axe was Via Rail Canada. The weapon was being wielded by the Mulroney Government which last month announced that more than half of the railway's 405 weekly trains would be axed as a result of deep cuts in the government subsidies.

The cuts brought protests from the Opposition, trade unions and transport lobbyists, and praise from economists. The latter pronounced that if the Government was serious about reducing government expenditure, Via, the single largest discretionary item in the federal budget, was certainly one of the best candidates.

The newspapers have also been giving considerable space to another major issue recently – the fate of the Goods and Services Tax, a form of value added tax, which the Government proposes to introduce in 1991.

The Government is proposing a 9 per cent rate and the howls of indignation have been long and loud in certain quarters despite the Government's hard-sell approach. There has been talk of a consumer tax revolt and business is demanding a cut in the rate which, in turn, has led to talk of "a 7 per cent solution".

The two issues are ultimately part of the same problem, that of the bid to balance the Government's books. But if the reaction to the Via plan and GST are any indication, the Government is going to have a hard time pushing through measures to tackle what it has described as its inherited debt problem.

Mr John Crow, governor of the Bank of Canada, has tightened monetary policy and raised interest rates to stifle inflation pressures, and he is adamant that rates will remain high until those pressures have abated.

He has been backed by Mr Michael Wilson, the Finance Minister, who has underlined the urgency of tackling the build up of debt.

The GST has been presented as essential reform to the tax system which will act as a boost to the economy, and therefore revenues.

It will be deficit neutral in the first year, but, say economists, it would provide a potent new revenue source, raising an estimated C$5.5bn more than the existing sales tax in 1991, and could, therefore, be used by the Government to reduce the deficit in the future. There is always, said one analyst, the temptation to raise the rate once the tax is established.

Bob Vincent looks at strategy to combat the deficit problem

Hard balancing act for Ottawa

The tax replaces a narrowly-based federal sales tax which Mr Wilson describes as archaic and as badly out of tune with needs of the economy. He points out that the existing tax hits exporters, a distortion which will be removed with the introduction of GST.

Mr Wilson estimates that the tax will lead to a one-time increase in the level of prices of 2.25 per cent, but there is, he maintains, no need for it to create ongoing inflationary problems. Analysts, however, are less sanguine.

As for the budgetary effect, Mr E.P. Neufeld of the Royal Bank of Canada, forecast that as it now stands the tax will not have an impact on the federal deficit in 1991. The extra money raised by the tax is being used to cushion its initial effect through targeted tax cuts and credits.

Some analysts, however, believe the Government is not attacking the deficit problem with sufficient vigour, in that it is relying far too much on tax increases relative to spending cuts.

Mr Carl Beigie, of McLean McCarthy, commented that under Mr Wilson the Government was holding tight on expenditure growth but the base was too high. He added that Mr Wilson kept talking about blood on the floor but what was needed "is gore on the floor".

The task confronting the Government is considerable. Public debt has built up to an estimated C$321bn and the servicing of that debt has been exacerbated by high interest rates whichare likely to remain high for some time to come.

Mr Wilson claims success in bringing spending under control. He said in a recent speech that preliminary figures for the fiscal year ended March 1989 indicated that the federal government's budget deficit was C$28.7bn, some C$200m less than forecast in the April budget.

He added that the deficit had been cut by almost C$10bn from 1984.

The Department of Finance has calculated that as percentage of gross domestic product the deficit has fallen from its postwar peak of 8.6 per cent in 1984-85 to 4.8 per cent in 1988-89, a decline of 3.8 percentage points, and it forecasts that it will decline further, to around 2 per cent by 1993-94.

The GST replaces a narrowly-based sales tax which Finance Minister Michael Wilson describes as archaic

Mr Wilson said in his speech that the Government had cut the number of civil servants, sold surplus property and imposed strict spending restraints on government departments.

He added that the growth of programme spending, including such major items as transfer payments, had been reduced. It was down to an average of only 3.5 per cent a year since his government had taken office which was less than the rate of inflation for the period. "Last year, an election year, we held the growth of programme spending to 3.1 per cent."

In the budget, which was not as tough as many had expected, the Government introduced C$3.7bn of tax increases and C$1.5bn of spending cuts, which hit the defence sector, overseas aid and transfer payments to the provincial governments.

The main measures on the revenue side included an increase in the current manufacturers sales tax, a new tax on corporation profits above C$10m and a proposal that the Government end its funding role for unemployment insurance, starting January next year.

Tight monetary policy is keeping interests high and is pushing up the cost of servicing the debt. The Department of Finance in April estimated the debt interest at C$33bn and it is estimated that it will rise to C$39bn this year.

Mr Wilson has said that the surge in interest rates in Canada and abroad "shows just how much our huge debt has left us exposed". But some analysts insist that the reduction of the deficit will make deeper cuts, involving major spending programmes, than have so far been announced by the Government.

This might prove politically very difficult, given the reaction to the axe being wielded on Via, especially if social programmes come in for further pruning. Raising taxes, one analyst pointed out, was more acceptable in Canada but such action flew in the face of the tight monetary policy because of the inflationary impact of higher taxes.

The introduction of GST, say analysts, will mean that a tight hold will have to be held on interest rates to prevent the initial inflationary effect of the tax taking hold and being incorporated into the wage structure.

A factor which would act in the Government's favour, however, is that the debt is highly sensitive to interest rate movements, being largely short-term debt, and so any reduction would have a swift and significant impact in reducing the build-up.

As to the future, a lot will obviously depend on timing, the management of the economy and the Government's political courage in the face of the protests at cuts, especially if Ottawa has to make the much deeper ones for which business is calling. For over the horizon there lurks further sources of strain on government finances – the infrastructure and the environment.

Andrew Coyne investigates immigration policies

A lukewarm reception

EVERY Canadian schoolchild knows about Prime Minister Wilfrid Laurier's proud boast in 1904 that the 20th Century would be Canada's. Very few know about the words that followed: "Canada shall be the star towards which all men who love progress and freedom shall come. There are men living in this audience ... who before they die ... will see this country with at least 60 millions of people." Significantly, this was greeted with cheers.

Neither of Laurier's predictions has come true. As the century winds down, Canada's population stands at just 26m. While the constituency is growing for allowing more people to fill the world's second largest country, hostility to immigration remains. Laurier's speech today could as easily cause a riot.

Yet statistics bear out that the country needs more people. Population growth has fallen to less than 1 per cent, the slowest in five decades. The fertility rate has declined to 1.6, half the baby-boom pace of the 1950s. Some 60,000 people leave the country every year. The Macdonald Royal Commission on the economy estimated that on current trends Canada's population would peak around the year 2020, dwindling to 10m by the end of the following century.

On the surface, Ottawa's response to this seems a measured but consistent easing of policy. In 1990 – immigration minister Barbara McDougall recently announced – Canada will accept 175,000 immigrants overall, up from 160,000 this year, and more than twice the levels taken in 1985.

Within those figures, however, lie a tangle of classifications, reflecting a confused and contradictory policy.

The largest sub-group of immigrants, for example, are "family class" – the immediate relatives of those who have already arrived in Canada. "Selected workers" – those qualifying under a complex grading system of "desirable" attributes – make up the next largest category. Together, they comprise about two-thirds of all immigrants.

The country needs more people. Population growth has fallen to less than 1 per cent

It is with the remaining two major categories, refugees and business immigrants, that the difficulties really begin, however.

Canada's intake of refugees, though high by international standards, remains grossly inadequate. With more than 13m refugees in camps around the world, Canada plans next year to admit 33,000. In practice, a great many refugees in recent years have simply arrived in Canada uninvited – and stayed, while the cumbersome machinery for evaluating their claims to a "well-founded fear of persecution" ground on. Many of these were plainly false, giving rise to some local resentment. But the practice of past immigration ministers to declare periodic amnesties gives would-be refugees every incentive to continue to arrive in large numbers.

The backlog of unprocessed refugee claims stands at more than 120,000. Ms McDougall's C$100m scheme to cull it – launched in January with a two-year timetable – has cleared just 1,000 cases to date. Although dire forecasts were made at the time of mass deportations, the programme seems increasingly likely to prove a disguised amnesty – if only because a Department of Immigration official called specifically to deny it.

Canada's so-called "investor" immigrant programme, introduced in 1986, meanwhile, has become increasingly scandal-plagued. The programme allows foreigners worth more than C$500,000 who promise to invest at least C$150,000 in Canada to jump to the head of the immigration queue. Critics say it amounts to selling visas, especially given the offer some provinces have made to guarantee the investments as a means of luring these immigrants their way.

For all that, the most basic problem with Canadian immigration policy remains the low numbers of immigrants admitted. Demographers calculate the intake would have to be 50 per cent higher than even next year's total just to maintain present population levels. Such an increase, though no more than the historic average, would cause unprecedented upheaval in Canadian society. An immigration level of 275,000 could double the foreign-born proportion of the population by the year 2000, from one in six to almost one in three.

Where immigration in previous decades was mostly from Europe, the mix is shifting toward Asia and Latin America.

If past trends persist, most would settle in the large cities. While this might be viewed with relative equanimity in Toronto, already one of the world's most ethnically diverse cities, it is even now causing strains in Vancouver, a magnet for Asian immigrants.

Robert Gibbens looks at the second largest province, Quebec

Post-election irritability

QUEBEC, Canada's second largest province, with a predominantly French-speaking population, has emerged from a confused general election in an irritable mood.

Fortunately, the economy remains strong and the province is adapting quickly to Canada-US free trade. Investment is healthy and unemployment has dropped below 10 per cent for the first time since the mid-1970s.

But the old issues of language and relations with the rest of Canada seem far from resolution and yet more pressing despite the decisive election victory of lawyer-economist Robert Bourassa, aged 56, and his federalist Quebec Liberals on September 25.

Within Quebec, the francophones making up nearly 80 per cent of the total population of 6.5m, feel threatened by their very low birth-rate and rising non-French-speaking immigration in multilingual Montreal. They fear their success in making French the principal language of business in the province's economic hump could eventually be at risk.

Also, many feel frustrated by the noisy opposition to the Meech Lake constitutional agreement in English Canada and its recognition of Quebec as a "distinct society".

For francophones, this would simply enshrine the reality of modern Quebec in the Canadian Constitution. Also, Meech Lake would return certain provincial powers taken by the federal government in the past, thus cementing Quebec's existing autonomy.

The anglophone minority, once a powerful economic and political force and now totalling about 700,000 living mainly in the western section of Montreal, feels betrayed by the Liberals' failure to restore bilingual commercial signs, despite a federal Supreme Court decision upholding their validity.

Anglophones are now demanding clear legal recognition of their rights in Quebec.

These issues bubbled to the surface in the election campaign. Mr Bourassa and his new Cabinet will have to contain a potential resurgence of nationalism in Quebec, especially if he and federal Prime Minister Brian Mulroney cannot get the Meech Lake accord accepted by all the other provinces without major change.

For the sake of his own credibility, Mr Bourassa cannot lead Quebec back into the 1982 Constitution without the safeguard of Meech Lake.

The election gave Mr Bourassa's Liberals 92 seats in the National Assembly, to 29 for the Opposition Parti Quebecois under former Finance Minister Jacques Parizeau, and four for Equality, a new anglophone protest party.

The Liberals lost seven seats, including four in anglophone Montreal to Equality, and the PQ gained five.

More telling was the share of the popular vote: the Liberals won 49.9 per cent, down from 57 per cent in the December 1985 election, when the voters finally tired of a separatist government; the PQ won 40 per cent; and Equality nearly 4 per cent.

Generally, the opinion polls indicate hard-line separatists represent about 20 per cent of the francophone vote. Many francophones vote PQ to buttress Quebec's negotiating *position with Ottawa.*

Mr Bourassa, premier from 1970-76, when he lost to the PQ led by the late Premier René Lévesque, now starts his fourth term with a clear mandate to continue the province's economic development and find an acceptable solution to relations with English Canada. But he can only try to mitigate the language problem.

For Mr Parizeau, who fought the election on a clear independent ticket and received the blessing of the province's largest labour group, the Canadian confederation has been a failure for 25 years.

He deftly turned language, Beech Lake, public sector strikes and environmental issues to his own advantage, trying to show that Quebec would be better off independent, but in monetary union with Canada. He succeeded in increasing his own personal popularity.

Speculation is rife about what might happen if Meech Lake were to fail. Lucien Bouchard and several of Mr Mulroney's members from Quebec say they might leave federal politics and return to Quebec to forge a new political formula.

Moderate forces inside Quebec and outside are working behind the scenes to find new ways to bring Quebec back into confederation, and refuse to accept extreme pessimism.

Many Quebec industries need national and international markets, like their counterpart in Ontario. Also, Quebec has important energy and transport links with Ontario and the rest of Canada.

Free trade is bringing about relatively as much painful restructuring in manufacturing industry as in the sister province.

But Quebec's economy has *come a long way since the* disastrous 1982 recession. Annual real growth has averaged nearly 5 per cent since 1985, or well above the national average. It will slow to about 3 per cent this year, as North America adjusts hopefully to a soft landing.

The budget deficit, around C$1.5bn in fiscal 1990 and 1991, is down more than half from 1984-85.

Debt service costs are below the national average. Personal taxes have been reduced to near Ontario levels.

Business investment has been rising at an annual average of 16 per cent for the past three years.

A downturn in some resource and manufacturing industries will be more than offset by heavy investment in aluminium smelting and hydro-electric expansion.

By 1993 *Quebec's aluminium* smelting capacity will be more than 2m tonnes, or 12 per cent of total western world capacity.

Quebec has fully accepted the advantages with the disadvantages of Canada-US free trade and its manufacturing industry is undergoing another round of rationalisation.

It also accepts that its economy must be open to the rest of the world and it offers real comparative advantages, such as low-cost power and proximity to the north-eastern US market.

It wants to provide an attractive base for European and other companies to enter the North American market and ensure that Montreal remains a vibrant financial centre and a truly international city.

Several industries have shown the way: aerospace, aluminium and forest products, all of which must be global to survive.

Better times have enabled Alcan Aluminium Ltd to modernise its Quebec smelting system – still the western world's largest.

Bombardier Inc has moved into a global dimension in aerospace and sophisticated rail equipment. Pratt & Whitney Canada sells engines worldwide and CAE Electronics Ltd is the world's largest commercial flight simulator-builder.

Forest products firms have invested billions in a new modern capacity and in cleaning up environmentally. Their markets are not only in the US but also Europe and Asia.

Medium-sized manufacturing companies, particularly in electronics and other high-tech areas, are finding they can compete under free trade, though many may have to merge into bigger units.

While domestic tensions are absorbing a great deal of energy, Quebec has no intention of retreating from the main stream. That issue was finally decided by the 1985 election.

PROFILE: JEAN CAMPEAU

Powerhouse chairman

HARDLY any big business deal in Quebec is sealed without the blessing of the C$32bn Caisse de Depôt et Placement, money-manager for the province's public pension funds and car insurance plan.

Jean Campeau, 58, *the tall*, ascetic-looking Caisse chairman and general manager since 1980, has just led his troops to victory in a skirmish with Bay Street corporate raider, Unicorp Canada Corp.

Mr Campeau's tactics, with help from a provincial government that mistrusted him, won the Steinberg family's real estate portfolio in eastern Canada and the US worth nearly C$1bn.

The Caisse is now a force to be reckoned with in Toronto, and sometimes to be feared, as the country's largest equity investor.

Mr Campeau first raised national controversy in 1982, *when the Caisse built a holding* of almost 10 per cent in Canadian Pacific Ltd, then Canada's biggest conglomerate, and demanded two boardroom seats.

Immediately, the fur was flying. The Trudeau Government in Ottawa accused Mr Campeau and his master, Parti Quebecois Finance Minister Jacques Parizeau, of using a public sector agency as a boarding party for a future takeover or "backdoor nationalisation".

Mr Trudeau threatened special legislation and Campeau withdrew. But the Caisse still holds more than 5 per cent of CP Ltd and similar percentages in such national firms as BCE *Inc (its largest single equity* investment worth C$600m), Alcan Aluminium and Provigo Inc.

Mr Campeau was appointed to the Caisse in a storm of controversy over special low rates for buying provincial bonds.

He is a Montrealer, educated by the Jesuits, and, after taking a commerce degree at the University of Montreal, joined a brokerage house. Later, he became a senior corporate executive and switched to the civil service in 1971.

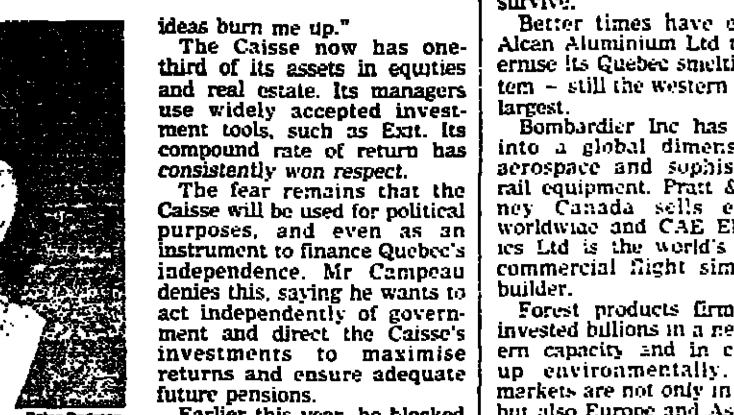
He was soon manager of Quebec's public debt and became deputy Minister of Finance in 1977.

He has an intense dislike of publicity and finds speech-*making difficult. Critics call* him a dictator, who runs the Caisse as a one-man show. He denies this, saying the Caisse is just too big. Despite his C$145,000 annual salary, he often rides the underground to the office.

He has had to cope with high staff turnover, partly because some dislike his style and partly because bright money *managers can earn much more* at private sector institutions.

Since the election of the Liberals late in 1985, he has taken a less aggressive stance in wielding the Caisse's power, but has continued to diversify its portfolios nationally and internationally.

"Our first duty is to make a profit and then to support Quebec's growth," he says. "People *may say we've become too big* and we should be broken up into competitive units. But would they think of splitting up one of the big banks, Alcan, or Canadian Pacific? Such ideas burn me up."



Peter Redman

Jean Campeau: critics call him a dictator

The Caisse now has one-third of its assets in equities and real estate. Its managers use widely accepted investment tools, such as Exit. Its compound rate of return has *consistently won respect.*

The fear remains that the Caisse will be used for political purposes, and even as an instrument to finance Quebec's independence. Mr Campeau denies this, saying he wants to act independently of government and direct the Caisse's investments to maximise returns and ensure adequate future pensions.

Earlier this year, he blocked the merger of two Quebec-based pulp and paper groups, because he objected to the terms. One was sold to the Americans. It was an unpopular move, but the Steinberg coup has satisfied nationalist feeling.

His term is running out soon, and the test is whether the Liberal Government will extend it.

Robert Gibbens

ONTARIO

Pausing for breath

ONTARIO seems to be taking a pause for breath. Canada's pace-setting province is expanding at a much more moderate rate this year, and, *according to some economists*, it might not altogether be a bad thing.

The province, which accounts for about 54 per cent of the nation's manufactured goods, is expected to see the growth in real gross domestic product slow to 2.6 per cent this year.

The Royal Bank of Canada estimates that there will be a further decline next year to 1.4 per cent.

The projected slowdown comes after six consecutive years in which the province had been steaming ahead and recording growth rates above the 5 per cent mark.

But the long period of rapid growth has brought its own problems. Toronto, for example, has experienced a construction boom which is putting a strain on the downtown area *while high house prices* are making it difficult to attract people to the city in a tight labour market.

Some economists, therefore, see the slowdown as giving the province a chance to consolidate, while ticking over at a growth rate which is predicted by the Royal to return to a stronger 2.4 per cent in 1991.

The signs of the slowdown are reflected in many areas of the province's economy, including the key area automobile industry which has been providing one of the main impetuses to growth.

The industry, represented in Canada by a string of big manufacturers, such as GM, Ford, Chrysler, Toyota and Honda, represents around 25 per cent of the province's manufacturing sector.

The motor vehicle industry, *boosted by the Auto Pact negotiated* in 1965, accounts for a large chunk of Ontario's exports, which in turn provide more than half of the nation's exports to the US, its main trading partner.

But there are some heavy clouds hanging over the automobile industry. The US majors have warned of overcapacity and the damage to profits of discounting. In addition, they face formidable competition from the Japanese on their own ground.

Car sales have also declined in the key US market, parts manufacturers have been hit by the strong Canadian dollar and the large expansion and *modernisation projects*, amounting to a capital injection of some $10bn since 1983, have largely been completed. The upshot is expected to be lower production rates and some plant shutdowns.

General Motors of the US, for example, recently announced it was considering shifts in North American vehicle production over the next few years, and moving production from its Scarborough, Ontario, van plant. The union immediately blamed the trade pact for the move.

An Ontario official pointed out, however, the Scarborough plant decision should be partly offset by a new truck factory planned by Freight Liner at St Thomas, Ontario.

The projected slowdown comes after six consecutive years in which the province has been steaming ahead

But the Royal says that the industry "is acting as a drag on economic growth this year, after being one of the main engines of expansion during the preceding five years". Demand for cars is not expected to rebound until 1991.

The strength of the C$, high interest rates and the resultant slowdown in consumer spending are all leading to the economic brakes being applied in other areas of the economy. The accelerated process of corporate rationalisation, triggered by the trade deal, is prompting lay-offs and closures in industries such as food processing, clothing and consumer products. In addition, the expected downturn in US growth will result in continued weak demand for the province's exports.

The provincial economy, *however, is showing continued* strength in several principal areas, such as services, which Ontario has been actively nurturing, and non-residential investment which is forecast to remain the main source of growth in the province.

The increasingly important service industries are expected to outperform the manufacturing industries, boosted by Toronto's growing strength as a financial centre. This has, in turn, been given a considerable *fillip by a policy of deregulation* and liberalisation in the sector which has helped to attract an array of big names to Toronto's Bay Street.

Despite the overall weakening of the province's economic performance, commercial and industrial investment is expected to remain in a healthy *state.*

Such investment is generally expected to continue to rise, as businessmen respond to the opportunities arising from the trade pact.

Commercial and industrial investment is forecast to average a healthy 6 per cent during the 1990-91 period, after a predicted 10 per cent this year.

Toronto has certainly benefited considerably from both residential and commercial development, and the rise of the service industries. But such rapid development has created problems, as the infrastructure starts to creak under the weight of such growth.

Mr Timothy Whitehead, of *the Canadian Imperial Bank of* Commerce, said that house prices had been pushing up inflation and it was becoming "very, very difficult to attract people to Toronto because of the prices". Transport was also a long-term problem. But, as one analyst emphasised, these are at least the problems of growth.

One of Toronto's considerable strengths is its economic diversity, which has allowed it to ride the rough patches.

It is intent on developing new industries, especially in the high-tech area, and the provincial government and the Municipality of Metropolitan Toronto have been encouraging collaborative projects with private industry.

All this is seen as part of a policy of developing a strong niche in world markets, which is as much a recognition of the globalisation of industry as the effects of the free trade agreement.

The agreement with the US has opened up a raft of opportunities but it will also provide considerable challenges to industry in the region. For, while giving an additional impetus to the the economy, there will be casualties as companies restructure and make use of new technology.

In the short-term companies *will be meeting* these challenges as the steam is coming out of the economy, but if the Government's economic policy is successful they will, according to some forecasts, benefit from lower interest rates and a lower Canadian dollar next year.

The wind was also taken out of Liberal premier David Peterson's sails this year, due to a damaging scandal over illicit political contributions. The silver-haired politician had previously enjoyed an extended honeymoon with the province's contented electorate, since being re-elected in a landslide in 1987.

The scandal, known as the Starr affair after the president of a local charitable foundation, has already cost Mr Peterson the services of one key adviser. A judicial inquiry is being set up to examine in more detail the nature of relations between the affair's main protagonists.

Bob Vincent

Offbeat Toronto

TORONTO is not the most immediately endearing of cities, especially if approached along the frightful Gardiner expressway – the airport road. Nonetheless, it does house some gems. Herewith, an *unabashedly personal selection* of 10 lesser-known attractions:

The Real Jerk restaurant: Has lost something in translating from its original dingy but atmospheric east-end premises to a larger building, but remains the city's most reliable and raucous West Indian restaurant.

The Rowland Caldwell Harris water filtration plant: Somewhat improbably, Toronto's *largest water purification facility* is a majestic, low-slung ochre hangar of a building overlooking Lake Ontario. Its squat towers, patinated rooftops and art deco fittings give it the air of a seat of learning rather than a chemical plant. Located at the extreme east of the Queen Street tramline.

The Windsor Arms Hotel: The sort of luxury hotel where you want for nothing and have a good chance of bumping into assorted local characters in the downstairs bar. With a bit of effort, the idiosyncratic furnishings permit you to imagine that you are ensconced in a country mansion.

Dr Sun Yat-Sen memorial statue: A testament to Toronto's latterday multi-ethnicity, *this utterly charming little* monument is situated on Broadview Avenue near the glowering Don jail.

The Harbord bakery: A friendly bakery-cum-deli in the university area, whose bagels, lemon poppyseed cake and other specialities are unsurpassed.

Honest Ed's: The heart of arts patron Ed Mirvish's business empire is Toronto's corniest discount department store. Mr Mirvish is clearly adept at exploiting business synergies: *the inside walls are adorned* with signed photographs of the stars who people his theatres.

The Idler: Locally-produced, highbrow, miscellaneous magazine which is just the job if you enjoy reading about the Canadian national identity.

David Owen

ATLANTIC PROVINCES

Net income threatened

THERE was little fanfare on October 1, when the biggest fish processing plant in Lockeport, a remote fishing village on Nova Scotia's south-western coast, officially closed its doors.

Today, the empty, warehouse-like building on the Lockeport waterfront serves as yet another grim sign of the looming crisis in the C$2bn east coast fishery, which is the economic mainstay of Canada's poorest region. For more than 400 years, teeming schools of cod, hake and flounder have been drawing fishermen to the icy North Atlantic waters. Now, after centuries of overfishing, the unthinkable has happened: the Maritime waters are running out of fish.

Fish stocks have dipped to such low levels that the Canadian federal government has been forced to slash the size of the industry's allowable annual catch in a desperate effort to replenish the resource. Government scientists had demanded a 50 per cent cut in the 1989 east coast fish harvest. Instead, federal fisheries minister Thomas Siddon opted for a mere 12 per cent reduction, to 235,000 tonnes from 266,000 tonnes.

Yet even that was enough to rock the Atlantic fishery, which had enjoyed four strong years after nearly going bankrupt in 1984. Suddenly finding itself with too much plant capacity and too little fish, National Sea Products, the biggest seafood company in North America, announced cutbacks in May at eight plants in Nova Scotia and Newfoundland affecting more than 4,000 employees.

At the same time, Nova Scotia-based Clearwater Fine Foods, the largest exporter of lobsters to Europe, and Newfoundland's Fishery Products International have also announced layoffs.

Usually, the Maritime provinces can count on government spending to pull them through tough times. But not this time. The harsh deficit reduction measures contained in the Mulroney government's April 1989 budget and other reform proposals have hit the perpetually beleaguered Maritime provinces harder than virtually any region in the country.

The biggest blow was Ottawa's decision to cut its future regional development spending in the Atlantic provinces by 25 per cent. But almost as painful was reducing the number of weeks of unemployment insurance available to applicants. That wipes out a vital source of income for fishermen, farmers, loggers and other workers in the largely seasonal Maritime economy.

At the same time, the federal government virtually sounded the death-knell of Summerside, Prince Edward Island – the second-largest town in Canada's smallest province – when it announced it was closing the Canadian Forces base by 1992.

Ottawa's drive to cut costs has also blocked progress on the C$5.2bn plan to develop the Hibernia oilfield, discovered a decade ago off the south-east coast of Newfoundland.

That is grim news for a province which suffers the highest unemployment rate (15.7 per cent in September) and the lowest per capita income in Canada. The Conference Board of Canada had been predicting expansion as high as 6.9 per cent for 1990. But that had been based on construction spending on the Hibernia project which now has little chance of materialising.

Overall, economic growth in the region is expected to slow in 1990/1. The brightest light continues to be New Brunswick, which has posted strong growth for the past three years.

The Conference Board predicts growth will fall to 1.5 per cent next year, as construction and manufacturing slump. Even then, New Brunswick, which had an unemployment rate of 10.2 per cent in September, enters the slowdown in fairly good shape. The province's forest products industry remains in robust health and is investing heavily in new machinery with which to diversify production. Mining is also expected to post strong gains, mainly due to the revitalisation of the provincial coal industry.

In nearby Nova Scotia, the Conference Board predicts growth will taper off to 1.7 per cent next year, as the fishery cuts and problems in the coal industry take their toll. A funding dispute with Ottawa has pushed production from the C$170m Westray coal mine back to 1993 from 1991. On a more positive note, the forestry industry remains strong, while some offshore oil drilling could take place next year.

Prince Edward Island is expecting a banner year in farming. Even so, the island's tiny economy is expected to expand by a mere 1.3 per cent in 1990 – the slowest growth rate in Canada. Housing construction is expected to drop sharply. At the same time, the controversial proposed C$1bn 13-km bridge linking it to New Brunswick is on hold pending a year-long environmental impact study.

Meanwhile, Maritimers have been using the ballot box to vent their anger with Mr Mulroney's federal Conservatives. Last year, the New Brunswick Liberal party, led by Mr Frank McKenna, 41, an aggressive lawyer, swept all 58 seats in the provincial legislature.

Then in May, Mr Clyde Wells became the first Liberal to be voted premier of Newfoundland since Mr Joey Smallwood led the province into confederation in 1949. Mr Wells, a constitutional lawyer, mounted a slick, attacking election campaign, while the Tory team floundered after the retirement of leader, Mr Brian Peckford, who had been premier for a decade.

More evidence of the Liberal tide came a month later when Mr Joe Ghiz's government swept to its second consecutive majority in Prince Edward Island. Mr Ghiz had sparked the Maritime switch to the party by winning a four-seat majority in 1986. This year, in a campaign which got off to a swinging start with the premier being punched in the nose by a marauding drunk, the Liberals won 30 of 32 seats.

That leaves Nova Scotia premier John Buchanan – who won a reduced majority last year – as the sole Conservative premier in the region.

John DeMont

The author is a writer with Maclean's magazine.

PROFILE: CLYDE WELLS

On course for confrontation

Greg Locke

Wells: a traditionalist

CLYDE WELLS looks dourly around his office and remarks: "The decor was destroyed by the previous occupant." Two things rouse Newfoundland's new Liberal premier to passion: any reference to the "previous occupant", Conservative Mr Brian Peckford, and constitutional reform.

Mr Wells, 52, is shaping into perhaps the staunchest provincial opponent of Prime Minister Brian Mulroney's Meech Lake accord, which is designed to bring predominantly French-speaking Quebec formally into the Canadian constitution for the first time.

Mr Wells's office is located in the Confederation building in St John's, whose late-1950s' style can only be described as Smallwood-Stalinesque. (Mr Joey Smallwood, Newfoundland's first premier, ruled Canada's easternmost province autocratically from its entry into confederation in 1949 until 1972.) The "previous occupant" took out the old wood panelling and furniture, replacing it with what Mr Wells refers to as a "bamboo ceiling" and vaguely Japano-Scandinavian desk, sofa and chairs.

Mr Wells is a traditionalist and believes, quite literally in this case, in the dignity of his office. He projects an aura of personal gravitas, to the point of seeming a trifle stuffy. In the moralising, mildly nagging tone of voice he frequently adopts, he is reminiscent of Margaret Thatcher.

But it is reforming Canada's constitution that really engages Mr Wells's mind – hardly astonishing since he is by training a constitutional lawyer. Incredibly, and uniquely among his peers, Mr Wells believes the provinces have too much power. "More power is the worst possible thing for Newfoundland's people," he says.

The key to change, he feels, is reform of the Senate, the Canadian Parliament's upper house, whose members are appointed by the Governor-General on the advice of the prime ministerial incumbent. What he would like to see essentially is a so-called "triple-E Senate" – elected, equal and effective – with all 10 provinces guaranteed the same representation. This body would co-ordinate all federal programmes for regional development on the basis of "giving help where help is needed".

Because the Senate is ineffective, Mr Wells argues, there is at present no way for the provinces to counterbalance central power. The upshot of this was that the "monster" of regular First Ministers' conferences between the Prime Minister and the provincial premiers had to be created.

Premiers, however, see things only through a provincial focus, in Mr Wells's view. A Senate reformed along the suggested lines would represent each province more fairly while maintaining a national perspective.

There is another side to Mr Wells, a downhill skier whose chief joy is Piper, a 38-foot Hughes sloop. He is in command of his province as he is of his boat. Like the best of skippers, he appears to harbour no doubts about himself or his course. Whether he will reach the sacred island of Senate reform, and whether, if he does, he will find the fabled economic rewards he seeks for his underprivileged province (the earned income of Newfoundlanders was 56 per cent of the national average in 1987) is still in doubt. But he knows where he is going.

John Godfrey

THE WEST

Double economic thrust

THE trade and tourism co-operative agreement signed in September between Manitoba and the state of Kansas typifies the emerging north-south focus in western Canadian thinking stimulated by the US-Canada free trade agreement.

Touted by Mr Gary Filmon, the province's Conservative premier, as "a key part" of his government's efforts to encourage Manitobans to take full advantage of the trade deal, it follows the inking of a similar pact in January between Pacific-coast British Columbia and Washington state.

The drive to forge closer links with the US is one of the two economic thrusts likely to shape western Canada in the next decade. The other involves taking advantage of Pacific rim opportunities created by Asia's growing capital pools and by Hong Kong's uncertain future. Having shaken off the effects of the 1982-85 recession, business and government in the west is counting on the US and Pacific markets to provide recession-proofing diversification.

Vancouver, the largest city in western Canada, is the major beneficiary of the surge in Pacific rim investment. After years of marketing itself as a gateway, the city's perceived breakthrough occurred in 1988 when Hong Kong's Li Ka-Shing purchased a large central residential and commercial development site.

Given Mr Li's high profile, his investment proved a magnet for other property purchases by Hong Kong investors. This helped push up Vancouver residential real estate prices this year by an average of 20 per cent. The June suppression of the democracy movement in China has fuelled the desire of Hong Kong citizens to park assets in Canada.

The resource sector in western Canada has also been attracting Asian capital. All the major Japanese paper companies are now investors in the rapid expansion of pulp and newsprint mills in Alberta and British Columbia. In total, about C$8bn is being invested in three western provinces.

Expansion elsewhere in the North American pulp and paper industry is already causing discounting of newsprint and depressing industry profits. However, most companies have significantly improved balance sheets after three years of record profits. The majority should thus be able to handle the expected leaner margins without discomfort.

Other major segments of the economy are similarly in reasonable health:

- **Agriculture** - Estimated wheat production of 24m tonnes will be well ahead of last year's drought-reduced 16m tonnes. Quality is average to excellent. Canadian wheat exports are forecast to rise by a third this crop year.
- **Energy** - This is perhaps the west's weakest sector. The most notable development has been this year's sharp drop in oil exploration, reflecting the termination of tax-driven exploration incentives. In addition, a 5.5 per cent decline in exports of crude oil to the US is holding petroleum production to 1988 levels.

Exploration for gas has remained vigorous, with the anticipation of major new sales to the US in the 1990s. However, the volume of 1989 US exports has declined slightly, and pricing remains cut-throat.

- **Mining** - The sour note in an otherwise good year for western-based mining companies was the recently-settled 13-week strike at Teck's Highland Valley copper mine in British Columbia. This is the world's third-largest copper mine, shipping 425,000 tonnes of concentrate annually. Shorter strikes earlier in the year hit several coal producers.

Meanwhile, publicly-owned Potash Corporation of Saskatchewan, the world's largest potash producer, is preparing a large public share offering. As much as 55 per cent of the company will be sold to private investors.

- **Tourism** - In British Columbia and Alberta, tourism has taken on an increasingly noticeable Pacific rim focus. Several Japanese investors have been bidding up hotel properties in Vancouver and the popular Whistler ski resort to cater for increasing numbers of Japanese tourists.

Growing volumes of tourism and business travel to and from the Pacific rim are also testing the capacity limits of Vancouver International Airport. The provincial government is accordingly trying to muster support for a C$200m expansion.

It is a controversial project, however, and the provincial government is scarcely in a position to marshall support for anything controversial. Premier William Vander Zalm, although elected in a landslide in 1986, has become so personally unpopular that some of his own supporters have pressed for his resignation.

His unpopularity is somewhat paradoxical, since the economy is sound and his government was one of only two administrations in Canada that managed to balance its budget this year. But his low standing with the electorate suggests the left-of-centre New Democrats will be returned to office in the next election, expected in 1990, for the first time since their 1975 defeat.

Elections are also expected in 1990 in Saskatchewan and Manitoba, in both of which incumbent Conservative governments will be struggling to hold on to power.

In Saskatchewan, Premier Grant Devine's administration has been shaken by adverse public reaction to his far-reaching privatisation drive. Failing a revival in the premier's fortunes, the opposition New Democrats under their experienced and charismatic leader, Mr Roy Romanow, stand every chance of carrying the day.

Manitoba's Mr Filmon has surprised observers by governing with a minority for almost two years. Having experienced a revival in his popularity in response to his U-turn on the Meech Lake accord, he has a shot at winning a majority. His chief rival for the premiership is likely to be Ms Sharon Carstairs, a pugnacious Liberal.

In Alberta, Premier Donald Getty has already undergone his election test, being returned with a comfortable majority but with an opposition strong enough to suggest that the Conservative hold on the province may be waning. Mr Getty's low popularity was indicated in October's controversial election for an Alberta senator. Although the contest was Mr Getty's idea – he is trying to force the federal government to convert an appointed senate into an elected one – his preferred candidate was soundly defeated.

John Schreiner

SECTION IV

FINANCIAL TIMES SURVEY

A dealer on the trading floor at County NatWest last month, when shares took a tumble

Tony Andrews

Information Technology in FINANCE

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Editorial production Gabriel Bowman

From being a way of improving efficiency by automation, it has become an important element — and cost factor — in financial business strategy. Information technology has a key role in an increasingly unpredictable business environment, writes Alan Cane

Uncharted territory

THE ROLE of technology in the financial services industry is going through profound changes. At one time simply a means of improving efficiency through the automation of mechanical processes such as cheque processing, it is becoming a key element in the business strategies of banks, building societies, stockbrokers and insurance companies.

The amounts that such organisations are already spending, and plan to continue spending, on information technology are huge. Belt-tightening in the securities sector where trading, in London at any rate, is still only at about half the pre-Crash level, seems irrelevant.

According to Mr Rob Wood*, marketing and planning manager of the BIS Group, "over $25bn was spent around the world by financial service organisations on buying in information technology and services in 1988. Double this amount was spent on running and developing their in-house systems. In the mid-1990s, this expenditure will exceed $100bn a year."

Mr Wood says that financial service organisations use information technology as a competitive weapon to fight their market-share wars with competitors. "Yet, surprisingly, financial services organisations dissipate a great deal of their capital investment in information technology on failed projects. A 1987 survey found that four out of five projects were regarded as failures or failed to live up to expectations."

Despite all this, there are no longer serious questions about the need to spend heavily on technology. International Business Machines, which makes the mainframe computers used by the majority of the world's big banks, estimates the demand for new computing power from its financial services customers is growing by between 60 and 80 per cent every year.

The real problem facing senior managers today is how to ensure that the organisation is getting value for money from all that investment. And this is against the background of a business environment which is becoming increasingly unstable and unpredictable as a consequence of deregulation and global competition. The prospect of the single unified European market after 1992 is a further unsettling factor.

According to Mr Alfred Chattell, chief author of a new study of the use of information technology in finance†: "Senior executives believe the industry is moving into uncharted territory, where organisations become vulnerable unless they are equipped to adapt in the right ways at the right time.

"Collapsing traditional barriers, new technologies, changing demographics, markets competition, social attitudes and customer expectations question the strategic assumptions of even the best-run companies."

Financial services companies face two main challenges in technology. First, how to bring their existing systems up to scratch. "They are about to hit obsolescence in a very big way," says Mr Ranald Bain, UK marketing director for Electronic Data Systems (EDS), a subsidiary of General Motors which specialises in data centre management. "The critical question for managers is how to manage change; how to ensure projects are completed on time and to a reasonable cost."

The essential problem is that the financial services industry has always been a pioneer in the use of computer technology for "back office" accounting. Banks and building societies were in the vanguard of the move to the creation of batch accounting systems. Built in the technology of the day, they were designed to handle high volumes of transactions and were optimised for throughput and accuracy.

Today, however, all that is taken for granted and the emphasis is on information about individual customers, something that batch accounting systems were never designed to handle. And, as they were mostly constructed in third generation languages like Cobol and repeatedly modified over the years, they are today inflexible and poorly matched to the demands of the market.

There are several solutions. Some institutions have bitten the bullet and committed themselves to rewriting their existing systems, using new technology. National Westminster Bank, for example, this year announced it would spend some £3bn over five years on updating its ageing systems.

The NatWest project, now well advanced, is being built around a data management system from IBM called DB2. It is a "relational database," a system which makes it easy to examine the relationship between various pieces of information in the files. The project is thought to be the largest implementation of DB2 in the world.

Other institutions are implementing banking packages of the kind developed by BIS in the UK or Internet in the US.

Packaged banking systems are suites of generalised banking software; their principal advantages are that, because they can be sold to many customers, the cost is a fraction of the price of a bespoke system. They can be installed in a fraction of the time required for a custom system with none of the anxieties associated with project management and control.

On the other hand, like off-the-peg suits, packaged systems never fit exactly and even after customisation by the vendors, may not do what the customer wants. And while they are suitable for smaller banks and bank branches, they are rarely capable of handling the number of accounts typical of the biggest banks.

The second major challenge for financial institutions is how to use technology for competitive advantage. To some extent, solving the first problem can go a long way towards achieving the goals of the second. Despite the experience of the financial institutions in computing, few of them run their data centres as efficiently as they should. Andersen Consulting, the consultancy arm of the accounting firm Arthur Andersen, has introduced a service that provides a methodology and a set of computer programs designed, by analogy with computer-aided systems engineering, to bring discipline and best practice to the cottage industry of operations management.

Technology now underpins most new services provided by financial institutions. Mr Chattell argues: "Increasingly, personal financial services companies have become 'software factories.' This means that many of the knowledge-based assets of a company are now encoded in software and that software is as useful as the knowledge it embodies."

Fine judgment is required to know when to co-operate and when to go it alone in technology-based initiatives. The UK banks are collaborating to lay down the infrastructure for a national system of electronic funds transfer at the point of sale, and banks and building societies alike are collaborating in shared automated teller machine networks. It remains to be seen how the collaborators will find ways to build competitive edge products on top of these common infrastructures.

The Midland Bank's new telephone bank, Firstdirect, is perhaps an example of the kind of initiative that can be expected. Firstdirect is the first British bank open 24 hours a day, seven days a week. There are no branches nor local staff. All transactions are handled over the telephone.

Telephone instructions are taken by human operators, using a direct marketing package developed in the US.

The idea grew out of research which showed that most people rarely visited their bank branch or talked to their bank manager. For them, the telephone was an obvious banking conduit. The infrastructure was, of course, in place but it remained for Midland to take the risk of investment in the necessary technology and training to bring the idea to reality.

With so much now depending on computer systems, the question of data security and integrity has become a significant issue. Natural and human hazards both have to be taken into account. When an earthquake rippled through San Francisco last month, finance houses were among the businesses brought to a halt by the devastation. Mr Raymond Hipp, president of Comdisco Recovery Services, one of the largest US computer disaster recovery companies says that eight of its 25 US "hot start" centres were called into service to deal with the emergency.

There is now real concern over the various species of computer "virus," programs written by the ill-intentioned which replicate themselves within personal computer systems, eventually bringing the whole system to a standstill and possibly damaging invaluable data. It seems there are now more than 20 common viruses in circulation, with such names as "Alameda," "Brain," "Search" and "Stoned."

Networks of personal computers are now commonplace in financial institutions. A positive result from the publicity surrounding viruses and like software has been the introduction of control measures in many sites to prevent viruses gaining access to the networks. While vigilance is still essential, the virus problem may well be on the way to defeat.

The financial services industry is in transition and the use of information technology is accelerating that change, while fundamentally altering the way business is done. Who will benefit? The best guess is that two kinds of firm will survive: large, low-cost producers basing their operations on the efficient use of leading edge technologies, and smaller companies serving niche markets. The losers will be those who take longest to learn the rules of the technology management game.

**Information 2000; The BIS Group, Pitman Publishing 1989.*

†Value for Money from Information Technology, Cresap Telesis, 77-91 New Oxford Street, London WC1A 1PX.

INFORMATION TECHNOLOGY in FINANCE 2

Retail banking systems have experienced tremendous growth

Knowing your customer

THE MARKET in specialised retail banking systems has experienced tremendous growth over the past three or four years in response to the rapid expansion of the retail financial services sector. In addition to increased competition, there are several new requirements which the retail institution must take account of, particularly where regulation and reporting are concerned, and these, coupled with a desire to move into new areas of business, have increased the demand for technology.

When it comes to technology decisions, most institutions go for a package rather than try to build bespoke systems. Not only are packages considerably cheaper but they are also tested and in most cases, have some sort of track record. In addition, the retail financial market – compared with the international banking market – lends itself well to packaged systems because of the high volume and relatively low value nature of a good deal of its business.

According to management consultants Peat Marwick McLintock, which has recently published the first Retail Banking Systems Survey (to be updated quarterly), there are now more than 30 specialist retail banking systems available. These fall into two categories: general purpose systems and niche systems.

The latter have developed in response to a need for specialised software to deal with such areas as mortgages, unit trusts and pensions. There are also a small number of systems for credit card processing, such as Cardpac marketed by Sema (formerly Cap Financial), for those institutions wanting to do this themselves.

The building societies have had a considerable effect on the growth of the retail banking systems market because of the rapidly increased competition in their traditional areas (mortgages in particular), and the new breadth of services they now offer.

For many, the need to introduce technology into business became acute following the Building Societies Act 1986, the increased monitoring and reporting requirements from authorities such as the Building Societies Commission and the Financial Services Act. They have also taken advantage of new areas of business, such as unit trusts and insurance, but also of basic current account banking services, which have required considerable systems support.

But it is not only the number of systems on the market which has changed; the design and technology of the packages has developed considerably too. No longer is the old account driven system sophisticated enough to cope with the increased competition between players and the demands of cross-marketing of products. The emphasis now is on the requirement for integrated customer information.

An increasing number of systems is built around the customer information file, which means that all information on a customer is stored under his or her name, combining perhaps two or three different accounts, and as much background information as possible (such as age, occupation, pension plan, mortgage, loans).


Investment management at Robert Fleming, the merchant bank

A database-based system will also store the information on product lines, so that a bank or building society can look at its position on mortgages or pensions across its accounts and get a good picture of its exposure in a particular area of business.

Some examples of systems built on a database are the Unisys Financial Services System (UFSS), Hogan's Integrated Banking Application (IBA), Tamar from Third Wave Systems and Bancs from NCR. These have all been designed to take advantage of this need to "know your customer," while at the same time providing administrative and general ledger support.

The niche market can be a tricky one to negotiate. The main problem is that these add-on packages are unlikely to be compatible with the main system, so problems arise with integration and the ability to look at a consolidated position becomes difficult. However, the vendors of these niche packages tend to be faster to respond to new conditions in their market, largely because they are unconstrained by considerations of integration, and they concentrate solely on one area.

As stand-alone systems, they also tend to be faster to implement. They are the answer for an institution which wants, or needs to move quickly into a new area and whose main system cannot cope with this. The problems of integration are then outweighed by the advantages of the package.

Their number has grown as the design and technology of the packages have developed

In many ways the answer to changing requirements and the need for considerable flexibility is a database system which is parameter or table-driven and has the ability to be quickly amended by the bank to cope with new products. This is still a fairly new characteristic of retail systems.

However, there are a few packages such as Omnia VME from Heywood and Partners or the Cullinet Banking System which allow the institution itself to define the processing requirements of a new financial product onto the system using parameters or tables without the need for the vendor to change the coding or write a new module, as would normally be the case.

At the centre of a retail institution's requirements is the ability to communicate with its branches. Online updating is what banks and building societies are after. Whether this information is held centrally in head office or in the individual branches is a matter for the different institutions to decide, says Mr Laurence Harris, a manager in the specialist banking and finance group of Peat Marwick McLintock.

The devolving of responsibility down to the branch is a path many prefer, but Mr Harris points out that some institutions have gone the other way and centralised the processing and sanctioning of decisions. Traditional packages such as Hogan's have taken the centralised approach, but now it is possible to decentralise and store processed data locally.

A good example of a system which is capable of both the centralised and the decentralised option is the new Citicorp Comprehensive Banking System (which is being installed into HFC Bank). It uses IBM AS400s, and is real time and on line, and customer-focused.

Institutions will also need efficient communications links with other bodies such as payment networks and agencies from which they receive information. A good deal of information needs to be accessed, particularly to do with credit ratings, or quotations for insurance policies, for example. There is also an increasing number of reciprocal arrangements between financial institutions, such as the ATM sharing networks, which require speedy exchange of data.

"The functionality of systems will always lag behind the requirements of the innovative banker," comments Mr Harris of Peat Marwick. "The successful system suppliers will therefore be those which build up a detailed knowledge of retail financial services and their likely developments, and then manage to incorporate this knowledge in flexible and well-supported systems."

It is now possible to decentralise and store processed data locally

For details of the PMM Retail Banking Systems Survey, contact L Harris, PMM, 1 Puddle Dock, Blackfriars, London EC4V 3PD. Tel: 01-236 8000.

Elizabeth Sowton

TRANSFERS BY MESSAGE

Swift II: long overdue

DELIVERING THE latest report on the much-troubled and long-overdue Swift II project, Mr Peter Drummond, an executive committee member of the Society for World-wide Interbank Financial Telecommunications, told a Stockholm seminar: "I feel a little like the accused standing in front of 1,500 public judges."

Swift is a funds transfer message payments system, co-operatively owned by over 2,500 banks world-wide. Its original system for transporting such messages, Swift I, has faced the problem of a looming finite capacity over the past few years as more and more banks have sent increasing traffic volumes across Swift's network. Swift II, first mooted in the early 1980s, is a project to rewrite the message transfer system from scratch, building in new functions and providing much higher capacity levels.

It was due to be delivered in May 1986, but technical problems and bad project management have led to continued delays. At last year's seminar in Vienna, Mr Bessel Kok, chief executive, warned bankers that if Swift II failed a series of tests held in January 1989, the project would be scrapped. Swift users were furious. Bankers have no similar payments network to fall back upon and if Swift had started to disintegrate, many banks would have faced the prospect of returning to telex as the main vehicle of payments communication.

The crisis of confidence last winter galvanised Swift technicians into action. The make-or-break January tests were passed and last February Mr Kok informed users that Swift II would begin pilot operation in December this year, with phased transition to live operation starting after February 1990.

So when Mr Drummond took to the podium in Stockholm, bankers wanted a clear confirmation that Swift II was still on track. They got it, but only just. A series of crucial network acceptance tests began last February and was due to be completed by the end of September. With preliminary results from those tests in hand, Mr Drummond was given the go-ahead by the board of directors (made up of bank representatives in relation to their use of the system) to make his speech only four days beforehand.

Bankers got confirmation that Swift was on track — but only just

The series of tests was to check Swift II's ability to operate, response times, throughput, capacity and availability. "We are not there yet," said Mr Drummond. "All the targets have not yet been met, but we are getting there." At the end of August, 385 bugs remained in need of fixing. Nevertheless, Swift II will now go into a final stage of "systems stability testing" and a new X25 transportation network will be integrated. Around 70 banks have offered themselves as pilot test sites, starting from December 4.

"Transition (to full live operation) cannot start until we are sure of the system. There is no way we can mortgage quality for time. I am acutely aware that our track record for Swift II timing has not been exemplary. However, I guarantee you that I and the whole team understand this part of the service equation very well. Swift II will be up and running early next year."

Of course, most bankers will not believe that Swift II has risen from the dead until they can put their fingers in the proverbial holes. Moreover, what Swift II is or will be nobody is really sure any more exactly.

The original plans for Swift II envisaged a highly complex system with many added functions, such as file transfer, dealing, confirmation, matching, netting and so on. However, as time has dragged on, large chunks of the system as originally perceived in the early 1980s have been chipped away. The version of Swift II to be delivered next year will be almost wholly an exercise in solving capacity problems.

Meanwhile, the level of incessant politicking between the shareholder banks on one hand and Swift's executive committee on the other has increased markedly over the past two years. From the early 1980s a dichotomy has existed between entrepreneurial executives who want to diversify Swift into new service areas and the major bank users, who just want a simple message service that they can rely upon.

Mr Charles Reuterskiold, the previous chief executive, was ousted by the banks in 1984 for trying to open up the network to non-banking financial institutions. But Mr Kok has pursued the same goal at a slower pace, convincing banks that if Swift is to survive, it must add more value to its service. Three years ago, Mr Kok succeeded in getting bank shareholder approval for the admittance of stockbrokers as network participants. At this June's annual general meeting money brokers were admitted as a new category of participants, but four other groups, including custodians, were turned down.

"We cannot keep wandering around in a financial wonderland"

The reasons for the banks' fear of allowing new non-bank users onto the network are two-fold. Firstly, the banks would like the Swift executive to concentrate on getting Swift II up and running before treading unknown waters. Secondly, and more importantly, the banks continue to fear disintermediation.

The logical conclusion to opening up the membership of Swift would be to allow large corporations to use the service. To the banks this would be anathema, as their role as the middle men for funds transfers would potentially be extinguished.

When Swift has tried to diversify into non-controversial areas, its success has been limited. A joint venture with Reuters to supply a global risk management system, Stream, collapsed a year ago after only a year of operation and no system sales. More recently, a joint venture with London's International Commodities Clearing House (ICCH), begun in late 1988 to produce Accord, a confirmation and matching system for foreign exchange, collapsed when ICCH pulled out in June this year. However, Swift is still going ahead with Accord, this time in partnership with Logica and Stratus Computers.

Mr Kok would now like to see a reform of the decision-making process of Swift, giving the executive more autonomous power. "I am convinced that in the coming years we will have to distinguish more and more between those who own and control the Swift organisation, and those who use the Swift network," he says, in coded language.

"Swift must retain leadership in international interbank payment related communications. For new services we cannot keep wandering around in a financial wonderland. We have to focus on our strengths and we cannot have our fingers in too many pies.

"We should find the right mix of emphasis and try not to go too far afield in search of diversification. In that framework, multiple opportunities will remain."

But Mr Kok's freedom to go out and pursue that "right mix" will be dependent on the successful implementation of Swift II next year.

Paul Murphy

INFORMATION TECHNOLOGY in FINANCE 3

THE BRITISH building society movement is planning to spend almost a billion pounds on computer hardware and software over the next three years, according to recent figures from International Data Corporation (IDC).*

The amount itself is not especially large if compared with the sums some financial institutions are planning to spend on information technology (IT) these days – National Westminster Bank, for example, has committed itself to investing some £3bn over five years. It indicates, nevertheless, how seriously the societies are taking IT as a means of meeting their business objectives.

Comparison between the banks and the building societies in IT can be misleading, however. The largest building society is about 10,000 times the size of the smallest. Almost 87 per cent of the movement's total assets of £162bn and more than 80 per cent of the total IT spend are accounted for by the 14 largest societies.

For the most part, an analysis of the building societies' use of IT centres on the activities of the bigger members, although from time to time a small society takes an initiative based on technology – Nottingham Building Society's move into home banking in the early 1980s, for example.

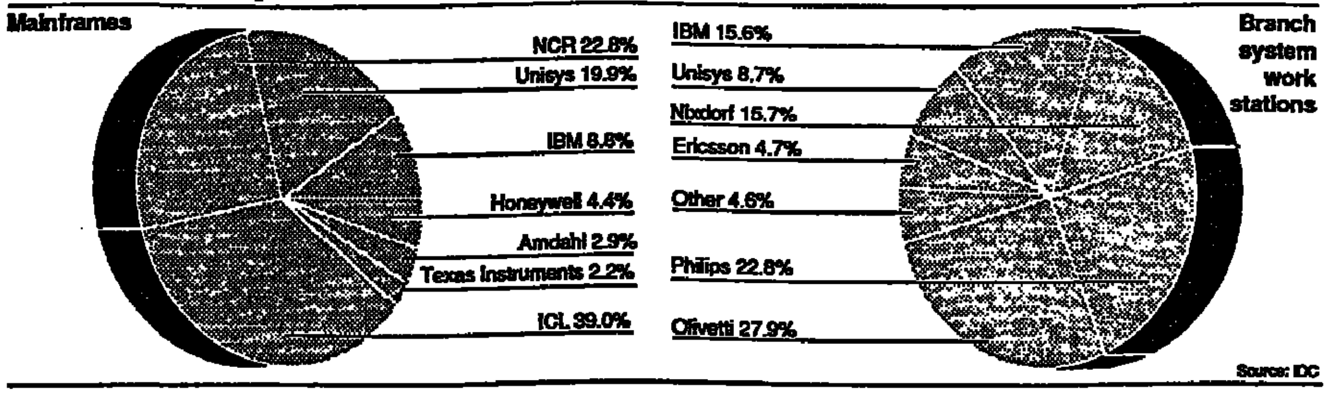
The building societies' interest in information technology is focused on three principal areas: the revitalisation of head office accounting and branch systems, the development of networks of automated teller machines (ATMs) and the evolution of special systems for competitive advantage.

The movement acknowledges that it is now operating in a much more competitive environment in which information technology has become an essential alternative to more traditional forms of development. The Leeds Permanent, for example, in announcing last month that it intended to close 60 of its 481 branches, pointed out that it had invested £14.5m on information technology in the past year and would be spending £23m next year. Earlier, Nationwide Anglia announced it was to close 150 of its 883 branches.

In such circumstances, the movement's top executives are faced with a special case of the dilemma which afflicts the majority of senior managers these days: how to ensure they are getting value for their money from their systems and how to use them most effectively.

The larger societies are experienced and assured computer users. According to IDC, they operate an average of 2.7 systems each, often across a number of sites. The Halifax, for example, the UK's largest building society, uses two large Amdahl systems, while the Nationwide Anglia and the recently floated Abbey National each use two large Unisys mainframes.

Building society technology suppliers



Source: IDC

Alan Cane looks at building societies' spending plans

No need for an albatross

They all have branch systems, typically using equipment from NCR, IBM, Nixdorf, Olivetti, Philips, Unisys and Nokia. Olivetti claims to be the market leader with 27.9 per cent, including orders this year from Leeds Permanent of £25m, Coventry of £2m and Derbyshire of £2m.

A major change this year has been a new recognition of the importance of software as the key to effectiveness. The most dramatic example, perhaps, is the case of the Leeds Permanent building society. Traditionally an IBM user, it recently acquired a mainframe from Unisys (an A12) to run a mortgage system developed jointly by Unisys and by the Skipton building society. Called "UFSS," the system is written in Linc, a fourth generation language which makes it easier to make changes and modifications (see article on computer aided systems engineering, page 5).

Mortgage systems are a significant problem for most large societies with some 80 per cent planning to make changes to or upgrade their existing systems within the next five years. They would have been among the earliest systems to have been implemented for most societies. As a consequence, most are old, and have reached the point where they can no longer be patched up.

The aim is to create systems which utilise new technology and are much easier to modify than their predecessors. The problem is that original systems were designed basically as accounting systems. They kept efficient track of the business figures but provided little in the way of customer information. These days, in an increasingly competitive climate, the accent is on knowing the customer.

So now the ideal is a system which can bring together at the press of a button, all the information the building society has about a particular customer. Building such systems is difficult, and the existing system tends to behave like an albatross hung around the neck of the society.

IDC asked a selection of building societies what IT issues were constraining their business needs. The answers showed clearly how IT can act as a significant brake on the business simply because of the timescales necessary to make changes.

"In the larger societies," IDC concluded, "there was virtual unanimity that IT systems did not allow sufficiently fast development and implementation of applications to meet new business needs. Some said their systems were insufficiently flexible. Others complained of lack of development resources and applications (software) packages. As one put it, a change of their mainframe system would impose a moratorium of 18 months on new developments."

All of this explains the new interest among building society data processing specialists in "architected systems," a strategy or philosophy which is designed as a whole rather than as a series of discrete solutions.

Such systems allow the technology to respond to changing business needs much more quickly. The idea is to build systems for a future that cannot be predicted.

In the interim before the architected concept becomes both widespread and a technological reality, many societies are showing ingenuity in building cost-effective applications.

Woolwich, for example, has developed a mortgage application administration system on personal computers using a relational database called DataEase from the software house Sapphire.

The society reckons that the system saves on average one and a quarter hours on the administration of each mortgage, or a saving over the year of about 40 working years.

Britannia Building Society was the first UK company to adopt the advanced technology of optical disk-based image processing to speed mortgage file retrieval.

It now scans 27,500 documents a day and has become the largest installation of its kind in Europe.

**Building Societies: Information Technology into the 1990s; International Data Corporation, 2 Bath Road, London W4, £9,500.*

CASE STUDY: National Westminster Bank

Image processing route

TECHNOLOGY IS constantly becoming available to retail financial services institutions. Ensuring that they take advantage of it most effectively, and that their decisions do not swiftly become out of date with further technological advantages can be difficult.

National Westminster Bank's card services department has recently installed a Document Image Processing system in place of its traditional data processing system. In doing so, it turned to Computer Management Group, (CMG), one of the largest European providers of computer-related Management and IT Consultancy Services and Software Development.

Selecting the right system was more difficult than it would have been with DP as image processing technology is newer and the different systems available vary significantly in their strengths and weaknesses.

Image processing has obvious attractions over traditional paper. Users of a system can get all the details they want without leaving their desks to hunt for papers or microfiches. Equipment such as microfiche viewers is no longer needed, and the need for messenger staff is also greatly cut down. Documents travel within the system.

When a customer rings up with a query about a letter, the letter is immediately available over the screen and so it matters much less whether or not the person who takes the call is the one who sent the letter. Supervisors can tell at a glance how much work each of their team members has done at the end of each day and how much work is outstanding.

Supervisors can tell at a glance how much work each team member has done

CMG began by breaking down NatWest's requirements into six main categories. For business requirements, it decided to mirror existing clerical work-patterns as far as possible for user staff. It considered volumes and types of information, the latter included two types of scanned output as well as data transferred by magnetic tape from two different work stations.

Although the workstations would initially be required for only a single building, CMG decided to build into the Image Processing system accessibility from several locations to meet possible future changes in needs. It also considered growth in the numbers of users of the system, on the assumption that business volumes might grow substantially beyond present levels over time.

One of the great advantages of Image Processing Systems over clerical methods is they make much more information easily available, but this means that in order not to overload the user with unwanted information, the system has to select carefully between standard information and additional information available on request.

Windowing facilities – which allow the user to view two different pieces of information simultaneously on screen – were particularly important, so that workstation users in Customer Services, for instance, while handling a particular letter could also call up ordinary computer data about balances and customer records from the bank's mainframe computer system.

CMG also wanted to ensure that the system mimicked clerical work methods in other respects, for instance that the sequence of items and random access to particular files was maintained, just as it is in an in-tray full of letters.

These criteria were established and sent out to potential bidders. Once their tenders were in, CMG had to check their proposals for cost, user-friendliness and on-going maintenance support.

Eventually a File Net system, with British support by Olivetti, was selected as fitting CMG's criteria most closely. An important factor was that it was the most likely system to be operational within a very tight time schedule.

For hardware, the system was to consist of 20 workstations with 20-inch high-definition screens. Two types of scanner are in use. The first type takes A4 sheets with a standard format – application forms for instance, while the second processes correspondence and has to be adjustable for size and image intensity.

A laser printing facility is attached, though use of it is discouraged since letters are supposed to be permanently accessible on screen. Printed-out copy is to be used only when texts are sent outside the scope of the system.

Tape drives process statements and word-processing magnetic takes and tape back-ups at the end of each day.

The largest item of equipment is the juke-box where the optical disks reside. NatWest's model has space for 64 optical disks and incorporates three disk-drives. It is housed in an air-conditioned room with other special equipment, both for security and to cut down on noise which might disturb users of the system.

The next step was training, beginning with 30-minute presentations to explain the scope of the system and the way workstations would actually operate. Comprehensive training courses and full job guides were were needed. "It takes users a reasonable time to find their way around the system and its facilities to achieve a good speed of use," says one CMG consultant who worked on the project.

Housed in an air-conditioned room to cut noise which might disturb system users

A critical step was the choice of a system administrator to plan work-flows and scan their progress and try to prevent bottlenecks occurring.

Trial operations were then run and a conversion exercise on one small area of customer services – the handling of accounts of deceased credit card holders – was performed. It took longer than anticipated.

"The best approach in a customer services area, I feel, is to have separate teams handling new queries based on the image-processing system and old clerically-based queries. It is extremely difficult for the same person to handle both types of query," says CMG.

To get the new users to accept the system fully, CMG believes that staff should be watched as they begin using itand given suggestions about how to make more efficient use of it. Software suppliers should be contacted to help diagnose any problems with inefficient software, and similarly additional hardware equipment may sometimes be necessary.

With image processing now established in its card services operation, NatWest is now examining the possibility of using it in other areas.

David Barchard

INFORMATION TECHNOLOGY in FINANCE 4

David Barchard on an increasingly popular card

The smart alternative

FEW TOPICS in the retail financial services industry attract as much disagreement as the future of smart cards. There are the sceptics who say that smart cards – which store information on microprocessors rather than magnetic stripes, and so possess memory and even intelligence, unlike the present generation of UK payment cards – are a capacity looking for a use.

This school of thought points out that in some of the best-known smart card trials in the UK, for instance Barclays' trial scheme at Dallington Country Club, many of the uses to which the card is put have little to do with financial services, but rather with such matters as recording squash court bookings and the like.

Against this, another school of thought points out that smart cards are widely used in some parts of Europe already, particularly France and Norway, and that some simple smart cards, for example British Telecom's memory-only phone cards, are already part of daily life in Britain. This second body of opinion tends to focus on one aspect of smart card technology, its ability to counter fraud.

Given the enormous cost of switching from today's generation of plastic card terminals which read magnetic stripes to ones which could handle information from chips, financial arguments about preventing fraud losses look more likely to tip the balance of banking opinion in favour of smart cards. "There is a certain amount of pressure from Europe already to move to the smart card as a security mechanism," says Mr Gordon Clarke, of Deloitte Haskins Sells Principal Management Consultancy Division.

The Brussels-based European Council for Payments Systems,ECPS, an inter-bank organisation which is trying to lay the ground rules of an integrated retail financial services industry in Europe, is believed to be increasingly interested in smart cards.

"Some of the problems which banks have faced in other European countries are as yet little known in the UK," says Mr Clarke. "For example, all countries have the problem of lost and stolen cards, but there has been very little counterfeiting of plastic cards in the UK. In Italy the banks have to find ways of protecting themselves against it and smart cards look as if they could be the best bet."

Mr Clarke points out that the insecurity of magnetic stripe technology is not always fully appreciated either by banks or their customers who regularly discard ATM slips containing valuable information. One UK cash machine network until not long ago was *supplying sufficient data on its* ATM slips for those in the know to create a magnetic strip. All a would-be thief had to do was acquire a customer's Personal Identification Number (PIN) at the same time, perhaps by watching with binoculars from a nearby building, and he had all the instruments he needed to extract funds from a particular account.

Given the insecurity of PINs – the Jack Committee Report on Bank/Customer Relationships last spring said that PINs could be spotted by a hawk-eyed observer in a passing bus – the search is on for alternative methods of authenticating cards and their holders.

Smart cards may provide an alternative to both PINs and signatures. Customers would provide biometric data which would be stored on their card and then used to identify them at a terminal when making a purchase or a cash withdrawal. Norton Opax and Phillips have both produced smart cards which offer dynamic signature verification systems. Details of the way a cardholder makes his signature are stored in the card, enabling the terminal to authenticate the signature.

However, apart from the additional cost of the card and the terminal, this approach has two disadvantages. Firstly cards have to be enrolled with details of signatures and at present no obvious setting for this exists. Enrolment would certainly take up time and generate new costs.

Secondly, the "spoil rate" is still too high. If the parameters on signature recognition cards are tightly set, a fair proportion of genuine signatures is rejected. But if they are relaxed, then some fraudulent signatures may get through.

A simpler use of smart cards is as pre-charged and rechargeable carriers of funds, rather in the way that travellers' cheques are used today. There are obvious possible applications for this in the travel and entertainment payments business, but once again possible advantages (*eg* the fact that cards are more portable than travellers' cheques) are offset by the disadvantages (new terminals would be necessary to take them; lost or stolen cards would be more vulnerable than travellers' cheques.)

In October last year, Midland Bank and GEC launched a trial at Loughborough Polytechnic of an *intelligent contactless* card, called Meritcard, developed by GEC and usable in a special terminal developed by Tandata.

Smart card users can use the terminal to check full details of the usage of their card and to access external on-line services using the terminals internal modem, which can supply Telecom Gold, Mercury Link and Prestel access, as well as Midland Bank's viewdata services. The terminal is believed to be the first in the world whose operation is totally controlled by a smart card.

At Loughborough, customers choose their own PIN and the card has electronic debit card capacity. The attraction for the customer is that there is in-built audit trail capacity to help keep track of spending.

Elsewhere in Europe, several other smart card tests are running. Even in Germany, where the plastic cards industry has been slow to develop, there is a smart card trial at Regensburg. The microprocessor on the German cards, however, is located at a different place on the card from those on French cards, reflecting the fact that in the International Standards Organisation rules on smart cards there are two possible options for siting the chip. This creates obvious conflicts over terminals to read the cards.

There are also further differences between Japanese and French cards.

Studies to agree on European standards for smart cards are under way, but so far seem to concentrate mostly on avoiding counterfeiting rather than authenticating card holders. With so little agreement among banking systems in different countries as to what smart cards should be doing, it looks like being well into the 1990s before a sufficient consensus emerges to make possible a decision on what the successor to the magnetic stripe card should be.

DEALING ROOM SYSTEMS

24-hour traders

THE MAIN technological requirement of any financial dealing room is to have fast and reliable communications.

Telephone conversations remain an important vehicle for trading. Although British Telecom is still a target of complaints by dealers in the City of London, there is no doubt that its basic telephone service has become much more reliable during the 1980s.

And of course dealers can now choose between BT and the newcomer, Mercury. Most financial institutions have in fact chosen to have both lines, as an insurance against one system or the other breaking down.

The most important general development in dealing communications over the last few years has been the establishment of wide area international networks, which *make it possible to trade* globally 24 hours a day.

The amount of financial information flowing round these networks has risen exponentially in recent years. Computerised information services, pioneered by Reuters in the 1970s, are now provided by several companies, such as Telerate, Quotron and Knight-Ridder.

Many dealing rooms are therefore overwhelmed with high-tech equipment. "Typically a trader requires two or three different services, may need to interrogate an in-house computer on another terminal and possibly use a microcomputer. Apart from his dealer board, loudspeakers and two (or more) telephone handsets, the dealer is in danger of being swamped by keyboards and screens," says Mr Richard Jones, a London dealing technology consultant.

The only long-term solution will be for users in the trading institutions to force the suppliers of financial information to follow the "open systems" approach which is proving popular elsewhere in the computer industry. Dealers could then receive all the services they wanted on a single workstation.

Already there are moves to make the competing systems more compatible. An example is the Multi-vendor Con*tributor System, which Knight-Ridder* will launch at the Computers in the City exhibition in London next week (November 14-16). This allows dealers in futures and options, foreign exchange, commodities and capital markets to put price quotes into any number of information networks from one keyboard.

The use of computerised networks not only to obtain up-to-the-minute information but also for electronic dealing was pioneered by Reuter in the foreign exchange market. Its Monitor Dealing Service, introduced in 1981, has played an important role in the expansion of forex trading during the 1980s.

According to one estimate, the Reuters service handles one-third of the $300bn worth of foreign exchange traded every day worldwide. It has 2,300 subscribers and transmits more than 100,000 dealing conversions a day.

But the first serious competition to the Reuters service emerged this year, in the form of The Trading Service (TTS) from Telerate. Some 310 banks worldwide have been signed up, says Mr Peter Harrison of Telerate, and the system operates in 36 world financial centres. The latest large order is from Bank of America, which is installing TTS in 10 dealing rooms across Europe.

Telerate says that two counterparties anywhere in the world can be connected in less than two seconds, via an international X.25 digital network. The TTS workstation is based on an IBM-compatible personal computer with an Intel 80286 microprocessor. It has an innovative "slate" for data entry, on which the dealer can carry out four transactions at a time.

The slate is a touch-sensitive device with a back-lit liquid crystal display on which the functions are listed. Set up according to the user's requirements, it supplies steps in the trading dialogue in a logical sequence. The dealer then fills in details of the specific deal.

In response to TTS, Reuters has launched Dealing 2000, an updated version of its electronic trading service. The company claims 228 contracts in 19 countries for the first phase of Dealing 2000, which has similar features to TTS.

In its first phase Dealing 2000 allows dealers to conduct four simultaneous trading conversations on screen, though using conventional keyboards rather than an innovative device like the TTS slate. The second phase, undergoing in-house tests at the moment, will represent a much more radical departure. Mr Peter Griffiths of Reuters says it will be launched early next year.

Electronic services already enable dealers to carry out on computer screen dealing conversations similar to those they would have made by telephone or telex. Dealing 2000 will go further, automatically matching up buyers and sellers of a particular currency – the heart of the trading process. The screen will display the best buy and sell rates for a range of six currencies. These will be real market rates and may differ from the "indicative" rates shown by financial information services.

When a participant sees an attractive rate, he or she can immediately enter on the keyboard a willingness to trade a currency at a given price and amount. The central Reuters computer matches the bids and offers, checks its database to ensure that the counterparties have sufficient mutual credit and then acknowledges successful completion of the trade to both parties.

Clive Cookson

SETTLEMENT SYSTEMS

Paperless deals

EGGED ON by the Bank of England and the Stock Exchange, leading City financial institutions hope by the end of the year to agree on the most important technology project to hit the UK financial world since Big Bang in 1986.

Paperless share trading – through a system to be known as Taurus – is seen by the powers that be as a vital development if the UK is to retain its position as Europe's leading financial centre. Yet after years of dispute, the architects of this important scheme have yet to get it off the drawing board.

Three bridges still need to be crossed. Two will be faced in the coming weeks, but the third (and more politically sensitive) may take considerably longer.

The first is reaching agreement inside the City itself that the current plan for Taurus – based on a system of nominee accounts – is the right one. Bickering within the securities industry has prevented this so far.

The key to agreement lies with the large clearing banks. As bankers, registrars, custodians and (in some cases) stockbrokers, they are in a unique position to reconcile the warring factions internally and lend weight to the scheme. With the Bank of England raising its eyebrows vigorously, if not actually knocking heads together, there must be a good chance that the banks will soon see sense.

The second bridge to be crossed is to convince listed companies that Taurus in its planned form is in their interests. Companies have resisted so far on the grounds that they believe it will be expensive and cumbersome to search their share registers – as well as signalling to the market at large that they are carrying out a search and (in some cases) that they fear a hostile bid.

The key to agreement here is to convince companies that the new system will be at least as good as the present one. For this, read: "no worse than the current system." Whether listed companies are prepared to accept no improvement in service from such a major upheaval in the settlement process is something that will become clear in the remaining weeks of this year.

The third and most difficult bridge will not even be attempted for some time. This is to automate private share ownership, in the process persuading (or forcing) individual shareholders to give up their share certificates. They are likely to face an increase in dealing costs – and will have to pay a fee just for holding onto their shares.

The begetters of Taurus will need to convince these people (12m of them at the last rough count) that the new charges reflect the true economic cost of providing the service. To date, small shareholders have been subsidised. In future, they will have to pay their way. That message will be unpalatable to the politicians who have championed wider share-ownership.

While the City continues to pursue its search for agreement on Taurus, meanwhile, those who will be affected by it are left facing an uncertain future. And that, from a technical point of view, is the worst position of all to be in. Anyone who will need to make systems changes to take account of dematerialised settlement is currently as much in the dark about the final outturn as ever – despite the recent push to move the project forward.

Some of the heaviest costs will fall on stockbrokers. Yet it is still unclear to them – as well as to the working group drawing up the proposals for Taurus – what those costs will be. An exercise to establish these, undertaken earlier this year by accountants Touche Ross, is now said to be too subjective, since the broking firms that took part had little information to go on about the likely design of Taurus. Brokers are still unsure about what the system's implications will be, but are bracing themselves for the worst.

Many listed companies are also likely to face important systems questions – if they have not already. Under Taurus, many are expected to take the company registrar function in-house. What is now a labour-intensive exercise, requiring squads of clerks, will become automated. But until the design of Taurus is known, it will remain impossible for listed companies to prepare themselves for the new era.

Courtaulds, the textiles and chemicals group, is further ahead than most in this area, but still expresses frustration about the rate of progress. Mr Chris Hancock, its corporate systems manager, confesses he is cynical about the development. "It has been going back and forwards like a shuttlecock for a long time," he says. "From a systems point of view, it's a black hole."

Courtaulds brought the registrar's job in-house, rather than use a service registrar, some time ago, believing it was cheaper and produced a better service for shareholders. However, preparing for Taurus presents severe problems.

"It is safer to go the packaged route – better than building a system in-house and changing it in 18 months or whatever. Using a package is very much an insurance policy, it spreads the cost around a number of users."

The package chosen by Courtaulds was Inscribe, developed by systems house Quotient. "We already have a predator tracking and information system based on our existing system," says Mr Hancock. This was included in the specification given to Quotient, which tailored its package for the group.

Richard Waters

هكذا صدر الأصل

A look at some of the most important technologies that are gradually transforming the financial services industry

The rules of the game

The significance of Case
Alan Cane

COMPUTER-AIDED software engineering, or Case, embraces a range of technologies designed to add management and discipline to the often unruly business of systems development.

Too much computer software has, to date, been designed and written in an *ad hoc* manner, without the benefit of properly constructed design rules. As a result, it has become commonplace for systems to be delivered late, sometimes too late for the intended purpose. And without proper cost controls, it has often proved difficult to complete projects on or under budget.

For a financial institution today, such a *laissez-faire* approach to the development of a new application clearly will *not* do. Managers are well aware that a sound technological underpinning is essential to the success of any new product. They are also aware that there is a limited window of opportunity and that time lost through late or poorly designed systems cannot be retrieved.

So there are powerful reasons why Case is becoming accepted as an effective medicine for software delays. Earlier this year, International Business Machines, the world's largest computer manufacturer, provided a bedrock of credibility to the market when it announced its Case strategy.

Called Applications Development/Cycle, it was endorsed immediately by most of the Case tool industry which announced ways of working with the IBM initiative. An important part of IBM's announcement is the "repository," a database capable of managing all the project and design information generated during software development.

Essential software engineering comprises two parts, a methodology and the computer-based "tools" to support it (the software engineering industry sees itself as analogous to the metal bashing business; hence the use of engineering expressions such as "tools" and "workstations" to describe specialised pieces of software).

The methodology is the sets of rules and procedures which bring *some order to the process* of software writing: "The main component of case is a solidly-based methodology," according to Mr Mitch Ashley, manager for advanced technology for the US computing services company Electronic Data Systems (EDS), a subsidiary of General Motors and a market leader in Case technology.

The automation tools – analysts' workbenches, code generators and support environments – are the keys to accelerating the software generation process, but the experts warn that automating the production of a poorly designed system is a recipe for disaster.

What are the tools used for? The analyst workbench simplifies the job of systems design, allowing the analyst to see the relationships between different parts of a project on a computer screen and constraining the designer from creating a system which goes against the basic design rules.

The code generator is perhaps the most obvious case tool – a computer system which writes computer programs, taking the load off the human programmer and speedily creating error-free computer code.

Support environments or Ipses (integrated project support environments) are designed to manage large scale computing projects, keeping track of all the programs and people involved in the development. The Inland Revenue, for example, has made extensive use of an Ipse from Philips called Maestro.

An important point about the use of Case and Case tools is that they are at their most useful when they can be used to construct a computer model of a business strategy in such a way that its strengths and weaknesses can be analysed.

Chase Manhattan Bank in New York offers an advanced example of the use of Case tools for strategic planning. Mr Julian Hewett and Mr Tony Durham of the London-based consultancy Ovum describe in a recent report* how Chase Manhattan devised a project called "Ideal Bank" to develop a vision of how the Metropolitan Community Bank, part of its retail banking division, could survive in the 1990s and proposed a systems architecture to underpin the vision.

Starting with a clean sheet of paper, the project team used case tools called PC Prism and Excelerator from Index Technology to create a model of the flows of information within its idealised retail bank. The conclusion, the writers note, was that the "Ideal Bank" system *was worthwhile: "Even* using conservative estimates, a rapid financial return on investment can be envisaged."

According to the teams leader, the project would have been impractical without Case tools because of the need to analyse the relationship between dataflow diagrams.

Another approach to Case in financial systems of a different kind is exemplified by the UK company Softwright Systems, which specialises in ways of developing applications more quickly than by traditional methods. It has developed for IBM a system for developing point-of-sale (POS) applications. Traditionally, these, involving the control and management of a diverse series of devices – the cash register, the customer's display, the cashier's display – are written laboriously in something akin to machine code.

With the Case tools Softwright Systems has written for IBM, according to Ms Jane Tozer, its managing director, the designer can simply sit at the keyboard of a PS/2 personal computer and type in the system requirements – what messages should appear on what screen, which device should be live at any particular stage of the transaction process and so on.

Essentially, use of the POS case tools removes the need for highly specialised skills in the development of point-of-sale applications and so improves development. Ms Tozer estimates that using the POS tools, an application can be written and tested in eight weeks, compared with a minimum of six months using conventional methods.

Case experts warn, however, that the use of Case tools is not an instant cure for software production ills. Indeed, because there is a learning curve to be followed, the first use of Case on projects is expected to involve an increase in the number of computer experts rather than a decrease. The quality of the final systems, however, is likely to be high and maintenance (developments of additions and modifications) will be much simpler.

* *Case: the next steps; Ovum, 7 Rathbone Street, London W1P 1AF. £550.*

Messages that get there

Electronic Data Interchange .... Terry Dodsworth

THERE WAS a time when only a few companies owned a telephone. Then, gradually, the user-base built up, and soon everyone had to have one. Telephones had become an essential part of doing business, a necessary supplement to the postal service.

Electronic Data Interchange, the process of exchanging simple business messages, such as orders and invoices through direct or computer- to-computer communications, is at present moving through the first stage of a similar technological evolution.

Only a small percentage of British enterprises has such a *system, and even when they* operate one, they do not use it for all their transactions. It is a useful, but not an essential tool for everyday activities.

EDI, however, appears to be sowing the seeds for successful expansion, just as the early telephone system managed to do. It is achieving this growth by giving the companies that use it a competitive edge, because electronic messages are cheaper to send, less prone to error, and much faster to deliver than conventional postal communications. This extra efficiency is translating into lower costs and keener prices – conditions which will force rivals to adopt the same paperless trading methods.

The main impediments to this growth at present are a profusion of incompatible standards, unfamiliarity with the technology and a lack of critical mass in the industry. In continental Europe, where international companies want to extend the use of the service, additional problems are being caused by the conservatism about new services in the national telephone systems.

All these difficulties, however, are being tackled.

□ Standards: The industry has been hammering out an international agreement that will eventually allow paperless traders to communicate with each other, using the same electronic language throughout the world.

At the moment, the US and the UK, the two pioneers in the use of electronic trading, have their own systems. But these will be gradually shifted over to the new Edifact standard, endorsed by the United Nations, which is accepted as the main basis for EDI systems elsewhere in the world.

The principle underlying the Edifact standard is to create an electronic syntax and data dictionary for use in composing messages. Communications between companies using the system are thus universally understandable; and many messages, such as purchase orders, or invoices, can now be picked up off the shelf with no need for alteration by the user.

□ Familiarity with technology: This issue has been largely dealt with by the encouragement given to third party suppliers to enter the market.

Market entry is far easier in the UK than elsewhere in Western Europe because of the liberalised telecommunications environment. This means that *companies with some expertise* in processing and transmitting information can set up systems over leased telephone lines, and sell this clearing-house type of service to subscribers.

□ Developing critical mass: This problem will be solved only over time. Here, again, the analogy with the telephone holds good, because EDI similarly depends upon an inter-active user body before it has any utility: someone has to be equipped to receive the electronic message sent by the person geared up to transmit it.

Critical mass tends to be developed on an industry-by-industry basis, or in even smaller sub-units focused on individual large companies.

If a particular manufacturer or retailer decides to instal EDI, that puts heavy pressure on all its suppliers to fall into line. It can make paperless trading a condition of doing business with it; and even if it does not go that far, those suppliers which continue with traditional methods will be at a competitive disadvantage. This trend is evident in the retailing sector and the motor industry, where some influential companies have put heavy emphasis on paperless trading methods.

Internationalisation of the industry is an issue that will not be resolved by any quick fixes. Nevertheless, the plans to lower the trading barriers in Europe by 1992 are putting pressure on telecommunications suppliers and users to modernise their approach to pan-European business.

On the supply side, this means reducing the cost of leased lines and simplifying the bureaucratic procedures for running services across national boundaries. In demand terms, it is leading to increased pressure from big business for smoother-running international services operated from a single billing and maintenance point, and with guaranteed quality levels.

International EDI links, *which answer to these requirements*, are at an embryonic stage. Companies in large internationally-based industries, such as chemicals manufacturing or shipping, have begun to use EDI for some transactions, although not without teething problems.

At the same time, suppliers are trying to extend their services beyond national frontiers. GE Information Services of the US, for example, now has a private worldwide telecommunications network to which it is attaching EDI operations country by country.

IBM, the computer group which also has its own telecommunications operations, has been moving in the same direction. And Istel, the UK EDI company which is being acquired by American Telephone & Telegraph of the US, has been tackling the international market by establishing licensees of its own technology in overseas countries.

Mr Phil Coathup, Istel's director of business development, says the main issue for the EDI industry over the next few years will be the establishment of smoothly running international services. "A lot of the infrastructure is now in place in the international telecommunications network, and the Edifact EDI standards are being accepted all around the world. But the industry now has to show that it can manage EDI operations internationally for companies which need to work across frontiers."

Demand for such services is already developing quite strongly in electronics, motor vehicles and chemicals. Texas Instruments and Motorola, the US-owned semi-conductor companies are planning such networks, while General Motors has been a pioneer in the car-manufacturing sector. Outside the main industrialised countries, there is an accelerating wave of paperless trading activity in south-east Asia and even in Eastern Europe.

But linking all these companies and countries together in an efficient working structure will be no easy matter. While basic telephone services now rightly claim to be international, it is proving harder to achieve worldwide agreements on value-added services, such as EDI, which use telephone lines to deliver more elaborate forms of data communications.

In many countries, the local, nationally owned telephone operated companies are not moving with the speed and flexibility which the users of EDI would like. These restrictions pose an intriguing challenge for this new industry *over the next few years.*

Exclusive software

Executive support systems
Della Bradshaw

SOFTWARE DESIGNED specifically for top executives is an exclusive but rapidly-growing segment of the computer market. At the beginning of this year Romtec, the market research organisation, revealed that in the UK 9 per cent of senior management already use such software.*

The trend in executive information systems (EISs) has been led by US managers, with companies as diverse as AT&T, Holiday Inns and Coca-Cola using these tools. But European executives are catching up fast, with managers in blue chip companies such as Rolls-Royce, Shell, ICI and British Telecom taking the plunge.

EISs work by extracting information from the company's mainframe computer network and from external information sources and displaying them on a desktop terminal. Most of the information is financial – sales and profit figures, budgeting or forecasting information, and share price movements, for example.

The over-riding reason for installing such systems is the need to sift out relevant information from the miles of computer print-outs that computers produce every year.

Mr Ian Meiklejohn, director of Business Intelligence, the EIS research organisation, points out the irony of the situation. "As more and more information is held on corporate systems, the briefing books get thicker and thicker," he says. "The relevant details that they need are disguised in all that data."

He points out that, as companies try to shorten their reporting periods – from months to weeks, and weeks to days – the problem will get worse before it gets better.

The main reason for the rapid growth in the EIS population is that more middle managers, many in the financial sector, are demanding their own EIS terminals. "EISs are being deployed more deeply in organisations," says Mr Cliff Conneighton, programme director for office information systems at the Gartner Group, of Stamford, Connecticut, a research and consultancy organisation.

From a technical viewpoint EISs are diverse, using a variety of hardware, from mainframes to personal computers. However, all EISs have four things in common.

□ They make the information easy to assimilate by converting figures into graphs, pie charts or diagrams.

□ Instead of keyboards, they give managers the choice of using touch screens or infra-red remote control devices to get access to the data.

□ They use exception reporting, so any part of the business that is doing well or badly can be isolated. For example, a division performing 5 per cent below its target can be highlighted on the screen in red.

□ They use dynamic reporting, so executives can "drill down" through layers of information, to target in on relevant facts. So, if one division of a company showed a spectacular downturn, the manager, spotting the bloodbath on the screen, could burrow down through the layers of software to find the reason why.

To drill down in this way, the software must be ordered in a hierarchical fashion, not the alphabetical or numerical way it is stored on computer files. This ordering is the main task of the EIS software.

Tailoring the software to the needs of the individual executive accounts for about half the cost of installing an EIS, but is essential to the success of the system. "A successful EIS is one that an executive uses," says Mr Ian McNaught-Davis, managing director of the UK arm of Comshare, the American EIS company. "If you design a screen he doesn't like, he won't use it."

One example of the successful implementation of EIS is at chemical giant ICI. Mr Ian Lang, information technology manager for group headquarters, believes that is because the information on the system is what the executives need. "They are just too busy to use the system if the information is not relevant," he says.

Mr Meiklejohn warns that the growing trend towards information technology departments specifying the EIS systems – rather than the impetus coming from the manager – may well overlook that factor, and EISs could end up as just very expensive toys.

To help ensure that EISs provide exactly the right information for executives, management consultants Price Waterhouse devised a methodology called EIM (Executive Information Methodology). At its centre is the analysis of the company's critical success factors – where successful performance is vital. By defining the performance indicators for each of these factors, managers developing EIS systems can insure that the information is what they require to keep their fingers on the company pulse.

Companies such as British Telecom insist on individual managers becoming "sponsors" for the EISs installed. Mr David Stone, EIS manager at British Telecom, believes that finding an enthusiastic user for each system will provide the impetus for it to be used.

EISs are not cheap, costing up to £200,000 to instal. Suppliers include Comshare, Execucom and Pilot of the US and Metapraxis, Planning Sciences and Holistic Systems of London. They can also prove expensive to run, particularly if they involve direct links between the executive PC and the mainframe computer systems or outside databases.

Mr Lang of ICI, for example, reports that its EIS system costs about £100,000 a year just to maintain – in salaries, software licences and fees for using external data sources. But he believes that cost can be justified "in helping executives make better decisions and give them early warning of opportunities, so they can beat the opposition."

The EIS used by ICI is one of just a handful of systems intended primarily to give its directors access to external, rather than internal, information, which could be of strategic advantage.

**An assessment of the Use and Awareness of Executive Information Systems, commissioned by Comshare from Romtec.*

Relational approach

Database technology
Philip Manchester

DATABASE management software is one of the key technologies in modern computer systems. It provides the foundation for the applications which have become central to growth in the provision of financial services. The acceptance of standards by database developers has helped to exploit emerging hardware technology, such as workstations and computer networks. Advanced techniques, such as relational databases, have made it easier to build new applications quickly and give users direct access to data.

This has not happened without a great deal of effort from database software developers and a great deal of patience from computer users.

In the early days of computing, data was organised in simple forms. The software needed to store, access and manipulate data was rebuilt for virtually every application. But during the 1970s companies such as Cullinet, Cincom and Software Ag built general-purpose, database management packages which could be applied to a range of applications. These were designed to cope with large batch-processing systems such as those used for cheque processing in the clearing banks or those used more generally for printing pay-slips.

At the start of the 1980s a new approach to database organisation called "relational database" emerged from IBM and has come to dominate. The advantage of the relational approach is that it offers a very simple view of data without limiting how it may be used.

Relational databases store data as a set of two-dimensional tables, not unlike Lotus 1-2-3 spreadsheets. They can be processed using a standard set of simple instructions which form the basis of a language called SQL.

Another advantage of the relational approach is that it allows the database processing to be split into two distinct phases: the front-end process to determine what data is required and the back-end to locate and retrieve the data.

SQL acts as the communications medium between these processes. This makes it relatively easy to separate the two tasks and put them on different computers which may be connected by a network. "The combination of ease-of-use and availability on the right systems have enabled relational database to gain an edge," says Mr Geoff Squire, UK managing director of Oracle, a database software supplier.

"We have found this means we can push more of the application out to where it is really needed – we can do more of the processing out at the workstation. In a banking application, for example, it means we can do a lot of transaction capture and analysis at the branches and take the load off the central computer."

Mr Squire points to Baring Securities, which uses Oracle's database package as a basis to select potential securities. These include performance reports and free-form texts of analysts' reports. The data is stored in systems in London and Tokyo, but brought together at the workstation.

There are also moves to use relational databases in established transaction-processing applications. UK banks are pioneering the use of IBM's DB2 relational database to help bring greater value to this data. It is hoped that DB2 will allow data to be used for competitive marketing of services, at the same time as sustaining the day-to-day running of their operations.

"NatWest has invested massive amount in DB2 technology. And the same sort of strategic investment has been undertaken at Barclays and Midland Banks," says Mr Ian Bramley of database tool specialist Information Builders.

"This echoes a worldwide trend where banks are pioneering these technologies," Mr Bramley adds. Information Builders' Focus tool is an example of the front-end software which gives users and application builders better ways access to their data. These tools generate the SQL instructions which are passed to the central database processor – usually held on a large mainframe.

Database software developers are increasingly devoting their efforts to building such tools because this sort of hardware configuration seems to be emerging as the front-runner in the coming decade.

"These tools do two things. They give data processing departments the ability to deliver applications quickly and they increasingly give users the ability to access their data," says Mr Clive Smith, a financial systems specialist at database package supplier Relational Technology.

"But this is only part of why relational database has been accepted by the financial institutions. One of the most important things to have happened in the last three years is the realisation that relational database can be used in operational systems. This is because the performance problems of a few years ago have been largely resolved," he adds.

Early relational database systems experienced severe performance difficulties because of the rigorous rules which define how data can be organised. Relational Technology admits to having rewritten a "major part of the product" to get round this problem. "We went back to basics and changed the architecture. But compared with the older version, we doubled the performance," Mr Smith says.

Database pioneer Cincom went through the same exercise in the mid-1980s when it ditched its ageing Total database and produced its new product, Supra.

Mr Terry Booth, managing director of Cincom UK, acknowledges that this was a necessary step as databases have become standardised. "Whether you like it or not, SQL is an industry standard which people have adopted – not just paid lip-service to it. The computer user benefits because standards bring portability across different hardware and allows different systems to work together."

There is no doubt that computer technology is at a turning point. Accepted technical standards have narrowed the number of alternatives but made it possible for users to move from one to the other without the enormous costs involved in rewriting software. Database technology – especially the relational database approach – has played a key part in this transition and will play an even greater part in the coming decade.

Life insurance companies and automation

Problems of integration

MANY LIFE insurance companies are now at a crossroads regarding the way in which their technology development should go – both on their internal automation and in their external transactions with agents, particularly independent financial advisers.

Intermediaries and the public now give as much priority to a high level of service from a life company as they give to that life company providing a top investment performance.

Life companies have installed the latest technology in their investment departments. Investment managers have instant access to every equity market in the world.

But many companies found that their administration systems were unable to cope efficiently with last year's mortgage boom and with this year's personal pensions boom.

Some well-known life companies, noted for their investment expertise, have come under severe criticism from intermediaries for delays in setting up direct debits or delivering policy documents.

The slowdown in business in the second half of this year, mainly as a results of the continued dull mortgage market and uncertain stock markets, is giving life companies a respite to enable them to catch up on the backlog and an opportunity to rethink their administration systems.

These administration problems are compounded by the growing requirements of companies to conform with the regulations arising from the 1986 Financial Services Act – which require life companies to rewrite their systems for premium and benefit quotations, commission payments and policy documents.

The problems of the many are highlighted by those life companies which have given top priority to ensuring that their administration systems are always up-to-date and incorporate the latest technology. They came through successfully in dealing with this expansion of business.

Externally, these problems of a high level of business have highlighted the necessity of life companies integrating their systems with those of other companies and business organisations with which they have commercial transactions.

Upstream, life companies have developed and integrated their automation systems with banking institutions primarily to handle premium payments, usually direct debits.

Generally these are working smoothly, life companies usually dealing with a handful of banking organisations, all with highly developed automation systems. Even so, cases are reported where it has taken months to set up a direct debit for a particular case.

Downstream, life companies face a different set of problems when dealing with intermediaries.

First, there is the nature of the market itself ranging from the comparatively few major companies, such as National Westminster Financial Services, to a host of small and medium businesses.

Secondly, intermediaries, by and large, have taken some steps towards automation. But such developments have been piecemeal and largely unco-ordinated.

> **Too often, the intermediary is sold a personal computer by a local small software company that will handle his accounts, but little else**

Very few intermediaries are interested in technology. They want a system that will suit their own immediate needs and can be operated by their secretary or one of their office staff. Little thought is given to further developments.

Too often, the intermediary is sold a personal computer by a local small software company that will handle his accounts, but little else. No way can it be linked up with a life company's mainframe.

Yet cost pressures and the need to provide a high level of service are forcing life companies to streamline procedures, to cut out telephone calls, exchange of documents through the post and life company inspectors acting as messengers between life companies and intermediaries.

The objective is to automate as much of the communication as possible.

The first industry-wide step is the development of Opus – Online Proposal Underwriting System – a system that would enable the vast majority of proposals to be underwritten quickly and easily.

To date, the system has been developed only to handle the simplified short proposals for mortgage-related contracts. Even so, there are problems training intermediaries to use the system.

If the intermediary is a tied agent of the life company, then in theory the life company can instal its own automation system in the intermediary's office.

In practice, there are problems when the intermediary is a major company, such as a building society, with its own established systems. Here the development of Electronic Data Interchange (EDI) has a vital role to play.

However, if the intermediary is an independent financial adviser, the financial services regulations specifically ban a life company from providing help on automation, unless they charge the intermediary a commercial fee for this help.

A working party set up by the life companies has been conducting an investigation into the automation needs of advisers and how life companies can provide help within the limits of the financial services regulations.

Its confidential report was considered last week by life companies, but at the time of writing no further details were available.

A parallel development has been the formation of Origo, a company backed by 15 life companies, to provide, through a team of specialists, help and assistance to brokers by recommending computer packages that can be used by intermediaries and to ensure that they do not get into a blind alley.

Such a recommended system would take into account the intermediary's expertise, or lack of it, the operations to be automated and the ability to incorporate the various networks that are available.

But above all, there is a need for one system that enables an independent adviser to use for all life companies with which he deals, not a separate system for each life company where most intermediaries just could not cope.

Eric Short

Last of Lloyd's punch cards

LLOYD'S of London is to end the use of punch cards in its computer system at the end of next year, writes Eric Short.

That comes as a surprise, particularly in view of the latest developments in computer technology which had, one thought, long since relegated punch cards to a science museum.

It also seems incongruous for Lloyd's to be using punch cards as it was an enthusiastic supporter of the London Insurance Market Network, which was launched over two years ago.

This IBM-run system already provides electronic mail and data interchange services to subscribers linked into the system, with trials taken place for accounting and outstanding claim requirements.

Much has already been done to facilitate accounting and documentation in the London market through the Policy Signing and Accounting Centre for the non-marine company market and the system developed at the Institute of London Underwriters for marine business.

So where do punch cards fit into this latest system to provide the London insurance market with a 1990s technology-based operation?

Punch cards contain conventional information on the operations of a syndicate and are a visible record of each transaction made by the syndicate. As syndicates must have access to records going back not just years, but decades, this need to preserve original records is understandable.

Lloyd's has offered to transfer information on punch cards to tape and the majority of syndicates have made the transfer.

Now Sherwood Insurance Systems, which provides technology services to around a third of the Lloyd's market, has announced that it will end its provision of punch cards at the end of this year, with Lloyd's completely phasing out cards during 1990.

Meanwhile, the London Insurance Market Network continues to develop, with one of the latest facets being an electronic slip placing service.

This development is not intended to upset the underwriter/broker relationship of placing risks in the Lloyd's and the London company market, but to make that relationship easier.

At present, a broker placing a risk could have as many as 20 to 25 names on his slip that underwrite the risk.

At each visit to the underwriter's box or the company offices, the insurance broker has to provide details of that particular risk. Thus, these same details will be transmitted into each underwriter's system.

The aim of the electronic underwriting system is for the insurance broker to provide details of the risk in advance over the network.

Then when the broker arrives at the underwriting box or office, time can be saved in setting out the risk, while duplication is avoided in each underwriter feeding in the information.

It is hoped to have trials for the electronic slip placing service starting next year once the legal problems have been sorted out.

Certain Lloyd's syndicates are seeking to expand their operations to the mass retail market, offering a variety of insurance contracts to individuals and small businesses – a market dominated by the insurance companies.

Such lower value business can operate efficiently without necessarily requiring the services of an Lloyd's insurance broker.

The network is investigating the use of its facilities for direct dealing for this mass market business.

It will take at least five years before the network is fully operational.

But already, the developers are expanding the services which can be provided.

Once the network is in place, then it is certain to be used by the whole of the London market for aspects of business not envisaged at outset or even at this moment.

The continued developments in both hardware and software are expanding the horizons of the service.

Eftpos trial tests under way in UK

Paying by plastic card

EFTPOS UK – the organisation set up by leading banks and building societies for a unified clearing and settlement systems for Electronic Funds Transfer at Point of Sale – went live at the end of August, roughly three years after the organisation was set up.

Bank and building society customers in three UK towns – Edinburgh, Leeds and Southampton – are now taking part in trial tests of payment by plastic card. The first experimental operations began a year earlier at about 20 terminals in staff shops and canteens of institutions belonging to Eftpos UK. But if all goes well, the scheme will gradually "roll out" until it extends to the UK as a whole.

The Eftpos UK scheme is one of the most advanced in the world, with little to parallel it in Germany or the US where paper-based money transmission schemes are still dominant. In Britain, simpler funds transfer schemes operated by Barclays and Access, known as PDQ and Accept, have been in place and operating for some years. But Eftpos UK should provide the basis for a much larger and more secure electronic payments and settlements system.

Eftpos UK is one of the constituent companies within the Association for Payment Services, the inter-bank body which controls and organises the main paper and electronic money transmission services in the UK. Mr Brian Allison, Eftpos UK's general manager, joined the company from Midland Bank in January 1987, about a month after it was formally set up.

The company operates the software for a system which in its totality will consist of:

- a terminal with clear specifications;
- a network which collects transactions and sends them to a central switch;
- the central switch itself;
- members' lease lines;
- members' own software packages;
- a security scheme for the whole system.

"Every aspect has been developed to meet the banks' specifications," says Mr Allison. "Apart from one central switch, there will be a range of switches compatible with interface requirements." The company will also sell services to retailers, such as devolved switches, which can process other types of data and card.

Often criticised for its high cost – one member of the scheme, Girobank, withdrew early on because of it – Eftpos UK provides a framework to guarantee security in bank-to-bank transactions. "Eftpos UK has the end-to-end approach to security," says Mr Gordon Clarke, of the Manage- ment Consultancy Division of Deloitte Haskins & Sells, who has acted as an adviser to the system. "Once a message is passed into a network, it is impossible to crack."

Eftpos UK aims to provide full authentication of the source of each message, using the Public Key Encryption Method, whereby every component in the system has both a public and a private key. The result is easier key management and certainty about the origin of each message, even with a system with 300,000 to 500,000 terminals.

"You end up with a system," says Mr Clarke, "where you can afford to have competition."

This is in line with Eftpos UK's original basic aim of developing a single national electronic funds transfer scheme with an open and competitive membership framework and a wide card base usable at a single terminal at the point of sale. Mr Clarke cites three key features:

- Retailers should benefit by being able to provide faster services; avoiding the costs that come from the handling of paper, while enjoying greatly reduced levels of fraud.
- Banks and building societies issuing cards within the scheme will be able to cut out paper processing costs and enjoy improved security.
- Consumers will enjoy a faster and more convenient way of paying. They may find it easier to check the balance of their accounts electronically than they can at the moment and perhaps will be able to draw out cash through retailers as well as through automatic teller machines.

For card holders involved in the initial three city trials, the service may not seem very different from other electronic terminals with which they are already familiar. One issue which may attract their attention is whether or not terminals use Personal Identification Numbers, punched into a keyboard by the customer, or the traditional signature on a slip of paper.

PINs would make the system more fully paperless, but there are snags to using them. One is that many people seem unable to remember the number which goes with their card. Anyone with several payment cards, of course, probably has several PINs as well. Another is the fear that it may be hard to make the use of PINs fully secure at store check-out terminals.

For retailers and banks, there is also the question of whether services should be on-line (expensive) or off-line (much cheaper but also possibly less secure). The latest generation of terminals should make effective off-line operation much more secure by including regular overnight updating of details of lost and stolen cards as well as random checks.

The banks have gone a long way already in establishing their own Eftpos systems. In May 1988, Midland Bank broke ground with an agreement with Tesco to offer Eftpos services at its chain of 80 filling stations. Later that year, Midland, in partnership with National Westminster and Royal Bank of Scotland, launched the Switch scheme, an electronic-only debit card.

There has been a steady stream of applications to join Switch, including most recently Barclays and Lloyds Banks, while retailers seem to prefer the card because – unlike payment systems such as Visa and MasterCard – Switch obliges them to accept only a single type of card – a debit card – rather than a whole variety with different pricing terms attached.

As a result Marks & Spencer, a retailer which has never until now accepted any form of bank payment card, is to run trials with Switch.

Opportunities even for smaller retailers within Eftpos may be greatly expanded as new types of terminal arrive on the market. In May this year, Barclays launched a small fully portable plastic card data capture terminal called PDQ 3, which can even be used in taxis.

Manufactured by Verifone, PDQ 3 terminals operate from batteries or mains electricity to record transaction data on removable cartridges to be submitted each night to a bank branch.

With debit card systems now up and running, and Eftpos standards and software also established, a new generation of terminals should help Eftpos become widespread much more rapidly than seemed likely only a year or two back.

David Barchard